PROUD TO BE
WYOMING BANKERS ASSOCIATION
A WYOMING BANKER

WYOMING BANKERS ASSOCIATION
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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 Wyoming Bankers Association, representing dozens of community banks across Wyoming and the communities they serve, 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. This includes the energy sector and the extractive industry sector. Accordingly, we fervently 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.

Although the FDIC's statement of principles for climate-related financial risk management only applies to large financial institutions, namely those with $100 billion or more total consolidated assets, we are concerned such risk management will negatively impact Wyoming community banks and their local communities. Consider the fact that Wyoming's economy is strongly tied to the energy and extractive industries. These industries often rely on strong banking relationships, many of which have banking needs that far exceed what a local community bank can provide. If large financial institutions are pressured or required to "de-risk" their loan portfolios and choke-off lawful but climate disfavored customers or industries from the financial system, this will put enormous pressure on Wyoming community banks to try to provide such services, many of which either will not or cannot because they are insufficiently skilled in this type of banking. That, in turn, puts local communities at enormous risk of not having sufficient banking resources.

Financial risks, physical risks and transition risks already exist within the banking system - and financial institutions adequately manage these risks using longstanding and time-tested risk management practices. Remember, the banking system, both from a national standpoint as well as from state standpoint, is already one of the most highly regulated industries in the country. Neither the FDIC nor any financial regulator should cause or worsen transition risks by pressuring banks to de-risk lawful but climate-disfavored customers or industries under a newly formed climate-related financial risk management framework.

The Wyoming Banking Association is also concerned these principles may eventually trickle down and be applied to community banks, either directly through future rulemaking or indirectly as "best practices." The steep expense, complex models, governance requirements and specialized expertise that would be necessary for Wyoming community banks and their customers to bear, if these principles applied to banks with fewer than $100 billion total consolidated assets, would be cost and resource prohibitive for the dozens of Wyoming community banks that proudly serve our communities and local businesses and have survived decades of natural disasters and climate events.

Furthermore, we are concerned the FDIC's principles on data, risk measurement and reporting could eventually require Wyoming 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.

The mere existence of risk (whether financial, physical or transition risk) does not, in and of itself, constitute a threat to the safety and soundness of individual banks or our financial system. Instead, the relevant question is whether banks and their regulators are properly managing such risks. As evidenced by the fact the FDIC's principles do not identify even a single instance of bank failure in the aftermath of a severe weather event, banks throughout the entire history of the U.S. banking system have universally demonstrated an ability to manage climate risks.

As the FDIC develops its approach to climate-related financial risk management, we encourage the FDIC to conduct studies, review the FDIC's nearly one hundred years of banking data and gather empirical information to better understand the efficacy of the current risk management framework in managing climate-related financial risk, the need to address any specific gaps in the current framework, and the degree to which climate-related financial risk may or may not actually threaten the safety and soundness of the financial system.

Sincerely, [redacted]

Scott W. Meier
President / CEO
Wyoming Bankers Association