Environmental Defense Fund

December 29, 2025

Submitted to OCC via Regulations.gov and to FDIC via Email

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219
Regulations.gov Docket Nos. OCC-2025-0142 & OCC-2025-0174

Jennifer M. Jones, Deputy Executive Secretary
Attention: Comments—RIN 3064-AG12 & RIN 3064-AG16
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
comments@FDIC.gov

Re: Prohibition on Use of Reputation Risk by Regulators (Docket No. OCC-2025-0142; OCC RIN 1557-AF34; FDIC RIN 3064-AG12) & Unsafe or Unsound Practices, Matters Requiring Attention (Docket No. OCC-2025-0174; OCC RIN 1557-AF35; FDIC RIN 3064-AG16)

To Whom It May Concern:

Environmental Defense Fund ("EDF") respectfully submits the following comments and attachments to the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") in response to two proposed rules published jointly by the agencies in the Federal Register on October 30, 2025: (1) Prohibition on Use of Reputation Risk by Regulators[1] and (2) Unsafe or Unsound Practices, Matters Requiring Attention.[2] EDF is a nonprofit public interest organization working to strengthen people's ability to thrive in a changing climate with an approach grounded in economics, law, and science – including addressing climate-related financial risks.

In "Prohibition on Use of Reputation Risk by Regulators," the OCC and FDIC propose eliminating reputation risk considerations from the agencies' bank supervision activities, including a prohibition on "criticizing or taking adverse action against an institution on the basis of reputation risk."[3] The proposed rule would further prohibit the agencies from "requiring,

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[1] Office of the Comptroller of the Currency & Federal Deposit Insurance Corporation, Prohibition on Use of Reputation Risk by Regulators, 90 Fed. Reg. 48825 (Oct. 30, 2025) [hereinafter "Reputation Risk"].
[2] Office of the Comptroller of the Currency & Federal Deposit Insurance Corporation, Unsafe or Unsound Practices, Matters Requiring Attention, 90 Fed. Reg. 48835 (Oct. 30, 2025) [hereinafter "Unsafe or Unsound Practices"].
[3] Reputation Risk at 48825.

instructing, or encouraging an institution" to close an account or refrain from providing service based on factors including "politically disfavored but lawful business activities perceived to present reputation risk."[4] The OCC and FDIC's second proposed rule, "Unsafe or Unsound Practices, Matters Requiring Attention," narrows the definition of unsafe or unsound practices to solely those that have materially harmed or are likely to materially harm the financial condition of that institution, or that are likely to present a material risk of loss to the Deposit Insurance Fund.[5] The proposal states that financial institutions should "prioritize material financial risks over concerns related to policies, process, documentation, and other nonfinancial risks."[6]

Both of these proposed rules would codify an overly narrow and rigid conception of risk that would require agencies to ignore real risks, hindering their ability to fulfill their supervisory responsibilities effectively. Both proposals are unsupported by law given ambiguity in key regulatory terms, arbitrary and capricious reasoning, and failure to meet the agencies' statutory mandates under longstanding judicial and agency interpretations.[7] And both proposals are ill-suited to overseeing banks' management of an expanding, evolving, and increasingly complex set of risks, including climate-related financial risk.

Climate-related financial risks are generally divided into two categories: physical risks and transition risks. Physical risks include the destruction wrought by wildfires, flooding, extreme heat, and other environmental hazards made more frequent or severe by climate change. Transition risks (or opportunities) are the costs (or benefits) to entities associated with climate-related societal shifts, such as changes in markets, technology, law and policy, and consumer preferences. Increasingly severe climate-related physical and transition risks often implicate the financial risk areas banks must manage, including credit risk, liquidity risk, other financial risk (including price and interest rate risks), operational risk, legal/compliance risk, and other non-financial risk (including reputational, liability, and litigation risks), with serious and growing implications for safety and soundness.

EDF detailed the relevance of climate-related financial risks to the OCC and FDIC's supervisory responsibilities in comment letters filed jointly with other organizations in 2022 regarding each agency's draft principles for management of climate-related financial risks; both of those comment letters are attached to this submission. Since 2022, the need to address climate-related financial risks has only become starker. For example, regarding transition risk, a 2025 analysis projected $2.3 million in global financial losses from stranded fossil fuel assets by 2040 due to factors including technology advances, policy and market changes, and growing legal and reputational risks, with approximately a quarter of those financial losses incurred by U.S. asset owners.[8] Regarding physical risk, in testimony to Congress in February 2025, Federal Reserve

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[4] *Id*.
[5] Unsafe or Unsound Practices at 48849.
[6] *Id*. at 48836.
[7] *See* Comments of Prof. Jeremy Kress to OCC & FDIC re: Unsafe or Unsound Practices (Dec. 29, 2025), Docket No. OCC-2025-0174, https://www.regulations.gov/comment/OCC-2025-0174-0022; Comments of Americans for Financial Reform Education Fund to OCC & FDIC re: Reputation Risk (Dec. 22, 2025), https://www.regulations.gov/comment/OCC-2025-0142-0021; Comments of Ceres & Ceres Accelerator for Sustainable Capital Markets to OCC & FDIC re: Reputation Risk (Dec. 22, 2025), at 2, Docket No. OCC-2025-0142, https://www.regulations.gov/comment/OCC-2025-0142-0021.
[8] UK SIF & Transition Risk Exeter, Stranding: Modelling the UK's Exposure to At-Risk Fossil Fuel Assets (2025),

Chairman Jerome Powell noted that banks and insurers are already withdrawing services from coastal and fire-prone regions, and stated: "If you fast-forward 10 or 15 years, there are going to be regions of the country where you can't get a mortgage, there won't be ATMs, … the banks won't have branches and things like that."[9] Research confirms that serious and widespread climate-related impacts to the interconnected U.S. insurance, mortgage, and banking systems are not just imminent: they are here and growing.[10] In the face of this mounting crisis, the OCC and FDIC's rescission of their joint climate-related financial risk guidance earlier this year was an abdication of these agencies' vital oversight responsibilities. Finalization of these two proposed rules would further hinder the agencies' ability to effectively oversee banks' management of climate-related financial risks, to the detriment of Americans across the country.

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EDF thanks the OCC and FDIC for their consideration of these comments and attachments.

Respectfully submitted,

/s/ Stephanie Jones
Stephanie Jones
Gabrielle (Elle) Stephens
Peter Zalzal
Environmental Defense Fund
[redacted]

Attachments (2):

(1) Comments of EDF et al. to OCC re: Principles for Climate-Related Financial Risk Management for Large Banks (Feb. 14, 2022)
(2) Comments of EDF & Institute for Policy Integrity at NYU School of Law to FDIC re: Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions (June 3, 2022)

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https://uksif.org/wp-content/uploads/2025/03/UKSIF-Stranded-Assets-Report-March-2025.pdf.

[9] *See Federal Reserve Chair Testifies on Monetary Policy Report,* C-SPAN (Feb. 11, 2025), https://www.c-span.org/program/senate-committee/federal-reserve-chair-testifies-on-monetary-policy-report/655393 (video starting at 1:25:15).

[10] *See, e.g.*, Claire Brown & Mira Rojanasakul, *A Climate 'Shock' Is Eroding Some Home Values. New Data Shows How Much.*, N.Y. Times (Nov. 19, 2025), https://www.nytimes.com/interactive/2025/11/19/climate/home-insurance-costs-real-estate-market.html (discussing Benjamin J. Keys & Philip Mulder, *Property Insurance and Disaster Risk: New Evidence from Mortgage Escrow Data*, NAT'L BUREAU OF ECON. RSCH., Working Paper 32579 (2024, rev. 2025), https://www.nber.org/papers/w32579).