

Oral Statement of Greg Coleman
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before the
Subcommittee on Financial Institutions and Monetary Policy
Financial Services Committee
U.S. House of Representatives
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Chairman Barr, Ranking Member Foster, and members of the Subcommittee, thank you for the opportunity to appear today to discuss the Office of the Comptroller of the Currency's activities around climate-related financial risk. The OCC is an independent bureau of the Department of the Treasury, and its mission is to ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

Consistent with that mission, one of the OCC's current priorities is "*Acting on Climate Risk*" due to the increased frequency, severity, and volatility of weather events which affect the value of financial assets, borrowers' creditworthiness, and the associated risks banks may take onto their balance sheets. Our focus for this priority is on the largest banks.

I'd like to stress that the OCC does not and will not tell bankers what customers or legal businesses they may or may not bank. Rather, we are committed to staying focused on banks' risk management of climate-related financial risks. This focus is firmly rooted in our mandate to ensure that national banks and federal savings associations operate in a safe and sound manner.

The OCC has approached climate-related financial risk the same way the agency approaches any emerging risk area – to work with our regulated institutions to determine if they have appropriate processes and procedures in place to address the risk. In December 2021, the

OCC issued for public comment [draft principles](#) designed to support the identification and management of climate-related financial risks at OCC-regulated institutions with more than \$100 billion in total consolidated assets. Limiting the scope of the guidance to large banks – which have already begun to monitor this emerging risk – is intentional because their exposures to climate-related financial risks may be material.

The draft principles describe general considerations relating to bank governance; policies, procedures and limits; strategic planning; risk management; data, and other areas. They provide considerations for how climate-related financial risks can be addressed in the traditional risk categories including credit, liquidity, operational risk and others. The agency has invited feedback on all aspects of the draft principles, and we are continuing to consider the comments received. We are working with our interagency colleagues to determine the next steps in this area.

On their own initiative, large banks have begun incorporating climate-related financial risks in their risk management frameworks and policies. To understand their climate-related financial risk management programs, the OCC began reviewing this information in 2022. My testimony describes our initial observations from these reviews. In general, the large banks we supervise are in varying stages of developing processes to measure and monitor their potential exposures to physical and transition climate-related financial risks.

I stress that community banks are not the focus of our climate-related financial risk efforts. Based on decades of experience in their local communities, community bankers are very familiar with the impacts of weather events upon their customers and businesses. Further, these banks have long managed the risks that localized weather events present. The OCC does not intend for our efforts aimed at the large banks to trickle down to community banks. However,

Acting Comptroller Hsu has suggested that midsize and community bankers be mindful of these risks and give thought to how they can continue to manage them appropriately.

To ensure that the OCC is aware of the climate-related financial risk management efforts of other federal government and international bodies, the agency is a member of the Financial Stability Oversight Council's Climate-Related Financial Risk Committee. We also participate in the Basel Committee on Banking Supervision Task Force on Climate-Related Financial Risks and the Network of Central Banks and Supervisors for Greening the Financial System. Our efforts with these international bodies allow the OCC to ensure awareness of and facilitate information sharing with our fellow regulators.

In closing, the OCC is committed to assessing climate-related financial risks at banks with over \$100 billion in consolidated assets from a risk management perspective. This approach is consistent with how the agency responds to emerging risks to the banking industry and to ensure that national banks and federal savings associations continue to remain safe and sound, provide fair access to credit, and treat customers fairly.

Thank you. I will be happy to answer questions.