

Statement by  
Michael J. Hsu  
Acting Comptroller of the Currency  
at the  
Financial Stability Oversight Council  
“Climate-Related Financial Risk”

December 16, 2022

Thank you, Madam Secretary. I fully support the Federal Reserve’s recent issuance of proposed principles relating to the safe and sound management of climate-related financial risk for the large institutions it supervises. The federal banking agencies each play a critical role in identifying and addressing safety and soundness risks to the financial system. Banks, especially large banks, may be exposed to physical and transition risks from climate change. Identifying, measuring, and managing climate-related financial risks is a challenge that warrants focused attention from each of our agencies. Our agencies have been coordinating closely, and alignment benefits both our agencies and our supervised institutions. I welcome the release of the FRB’s proposed principles, which further our common end of promoting safe and sound climate risk management practices.

Likewise, I applaud the Federal Reserve’s scenario analysis initiative. I anticipate that this initiative will yield valuable information that will assist the federal banking agencies in decision-making going forward. The federal banking agencies and their supervised institutions have traditionally not needed to model potential safety and soundness risks on an extended time

horizon. Additionally, climate-related financial risk is unlikely to be fully captured by historical data. These features of assessing climate-related financial risk present challenges for both supervised institutions and regulators. I look forward to continuing to work with our interagency colleagues on this and other initiatives to assist supervised institutions in addressing climate-related financial risk.