

OCC Seeks Feedback on Climate-Related Risks



On December 16, 2021, the Office of the Comptroller of the Currency (OCC) put out a news release seeking feedback on principles for climate-related financial risk management for large banks (defined as over \$100 billion).¹ Interested parties may submit feedback on the draft principles through February 14, 2022.

The OCC and other regulators are concerned that weaknesses in how banks identify, measure, monitor, and control potential climate-related financial risk could adversely affect banks' safety and soundness, as well as the overall financial system. The principles are designed to "provide [banks with] a high-level framework for the safe and sound management of exposures to climate-related financial risks consistent with... existing OCC rules and guidance."²

In the seven-page document, the OCC set out both general principals and management of risk areas:



General Principles

- Governance
- Policies, Procedures, and Limits
- Strategic Planning
- Risk Management
- Data, Risk Measurement, and Reporting
- Scenario Analysis



Management of Risk Areas

- Credit Risk
- Liquidity Risk
- Other Financial Risk
- Operational Risk
- Legal/Compliance Risk
- Other Nonfinancial Risk

The OCC requests feedback on thirteen specific questions covering six areas, including: applicability; tailoring; current risk management practices; data, disclosures, and reporting; and scenario analysis. The OCC is expected to use the feedback and work with other regulators to issue more detailed guidance later in 2022.

Although the principles currently are envisioned for only the largest banks, climate advocates are calling for any future guidance also to be applicable for smaller institutions. Therefore, banks of all sizes should be alert to this request for information and consider a formal response to the OCC.

For information, please contact:

PAUL NORING
Managing Director
pnoring@thinkbrg.com
202-839-3925

JOSEPH SERGIENKO
Managing Director
jsergienko@thinkbrg.com
617-510-5900

¹ OCC, "OCC Seeks Feedback on Principles for Climate-Related Financial Risk Management for Large Banks," News Release 2021-138 (December 16, 2021). <https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-138.html>

² OCC, "Principles for Climate-Related Financial Risk Management for Large Banks" (2021). <https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-138a.pdf>

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