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FRB Proposes Climate-Related Financial Risk Management Principles



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Last week, the Federal Reserve Board (“FRB”) proposed [principles for climate-related financial risk management for large financial institutions](#). The proposed guidance is open for comment until 60 days after publication in the Federal Register.

The FRB’s proposed guidance is very much in line with guidance previously issued by the [OCC](#) and [FDIC](#) in December 2021 and March 2022, respectively. The FRB staff noted that they had worked with the staffs of the OCC and FDIC in this proposal with an eye toward all three agencies issuing interagency guidance. As we [speculated](#) in June when the [Basel Committee on Banking Supervision](#) issued its principles on climate-related financial risk management, the FRB may have been waiting for the Vice Chair of Supervision seat to be filled before issuing its version of the principles.

The proposed guidance/principles would cover six topic areas. They are: governance; policies, procedures, and limits; strategic planning; risk management; data, risk measurement and reporting; and scenario analysis. Like the OCC and FDIC principles, the guidance is proposed to apply to institutions with over \$100 billion in assets.

Governor Waller voted against the proposal, issuing a [statement](#): “I cannot support this issuance of guidance on climate change. Climate change is real, but I disagree with the premise that it poses a serious risk to the safety and soundness of large banks and the financial stability of the United States. The Federal Reserve conducts regular stress tests on large banks that impose extremely severe macroeconomic shocks and they show that the banks are resilient.”

Governor Bowman voted in favor of issuing the proposal for comment, but in her statement, she noted that “I look forward to reviewing comments from the public on this proposal. While I support seeking public comment, this vote does not

indicate my support for the finalization of this guidance. I will evaluate any future recommendation to finalize this guidance on its merits.”
