April 10, 2024

Climate Risk Regulation: The Community Bank Perspective

The Independent Community Bankers of America, representing community banks across the nation with nearly 50,000 locations, appreciates the opportunity to provide this statement for the record for todayôs hearing: ñBeyond Scope: How the SECôs Climate Rule Threatens American Markets.ò ICBA opposes the recently finalized SEC rule to mandate climate disclosures for publicly held banks. The new SEC rule and related efforts by other agencies to use the financial system to curb carbon emissions are an emerging threat to the business model of community banks and the customers they serve.

Community banks are committed to ensuring their local communities and environments flourish. However, the unprecedented costs and potential liabilities associated with the SEC

Unlike climate-related financial risk management frameworks recently finalized by federal banking regulators, the SEC ð whose authority to regulate climate remains in question ð has provided no meaningful exemption for all community banks. This is particularly concerning for community banks that are categorized as large accelerated filers or accelerated filers and thereby subject to some of the most onerous provisions of the final rule despite their small asset size.

Additional Regulatory Initiatives. The Financial Stability Oversight Council (FSOC) concluded in a recent report that climate change is an ñemerging threat to the financial stability guidance on climate risks using

scenario analysis, where appropriate, as a tool for assessing climate- related financial risks. In response, the OCC, FDIC and Federal Reserve finalized a set of principles to support the identification and management of climate-related financial risks for large national banks with $100 billion or more in assets. The New York Department of Financial Services finalized a similar framework that does not contain any exemptions for community banks.

Regulation is Unnecessary and Burdensome. Community banks have decades of experience managing concentration risks and are experts at knowing when and how to reduce their loan concentrations and