

Statement to the Financial Stability Oversight Council

Last Updated: October 21, 2021

Thank you, Secretary Yellen.

Climate change presents significant challenges for our society. Severe weather events have devastated communities across the nation. And as someone born in a country far less economically developed than the United States, I also recognize the disproportionate impact of climate change on countries with fewer resources.

At the FDIC, we have long required financial institutions to consider and appropriately address potential risks posed by the climate in their operating environment.¹ We have seen banks adapt their underwriting and risk management practices in a variety of ways in response to hurricanes, wildfires, and droughts.

As a bank supervisor, deposit insurer, and resolution authority, the FDIC has undertaken numerous efforts to better understand and address these issues. For example, for the first time in the agency's history, we incorporated climate change research as a corporate goal last year.

The specific impact of climate change on individual banks, their customers, their communities, the financial sector, and financial stability of the United States presents extraordinarily complex questions. If these issues were easy, we would have solved them long ago, which brings me to the report before us today.

The FSOC had a very short period of time to prepare and issue a report on climate-related financial risks, including making recommendations related to processes for identifying climate-related financial risk to the financial stability of the United States and how such risks can be mitigated. The FSOC staff did what it was asked to do. This report was indeed a colossal undertaking and I would like to thank the FSOC staff for the tremendous amount of work that went into its preparation.

In light of the complexity of these issues and the limited time to produce the report, I believe that FSOC has not had an adequate opportunity to conduct sufficient analysis, fully consider broader macro consequences, and thoroughly evaluate the impact of its recommendations. As a result, I am concerned the report is premised on a number of conclusions that warrant more thorough examination.

While I will abstain from voting on the report, I will continue to work with the FSOC and our fellow regulators on these crucial issues. I would like to take one more opportunity to thank FSOC staff for their willingness to consider feedback and comments offered by FDIC staff.

Thank you and I look forward to continued engagement.

¹Statement by FDIC Chairman Jelena McWilliams at the Financial Stability Oversight Council Meeting (March 31, 2021), available at <https://www.fdic.gov/news/speeches/2021/spmar3121.html>.