Statement to the Financial Stability Oversight Council

Last Updated: March 31, 2021

Madam Secretary, it is a pleasure to see you at the Council and I would like to extend a warm welcome to new members. Thank you for the opportunity to comment on this important issue.

While the issue of the potential impact of climate on the financial sector seems to be gaining momentum among domestic and international regulatory bodies, it is worth noting that FDIC supervisors have long expected financial institutions to consider and appropriately address potential climate risks that could arise in their operating environment as a meaningful safety and soundness concern. This includes physical risks associated with extreme weather events, such as hurricanes, floods, storms, tornadoes, droughts, and fires.

We also expect institutions to mitigate the risks associated with adverse climate or weather-related events that are common to specific locations or particular areas of the country. Such activities can include ensuring the institution and its borrowers have appropriate insurance coverage, adjusting borrowers' cash flow estimates based on reduced agricultural yields or adverse business conditions, and complying with applicable rules, regulations, and building codes.

FDIC economists and financial analysts conduct internal analysis of a range of factors that affect economic and banking conditions, including the potential implications of changing environmental conditions. Several FDIC Regional Risk Committees include environmental factors in their regular analysis, such as drought in the western states.

The FDIC will continue to monitor the impact of climate and other emerging risks on the financial industry. We will continue to engage with other regulatory bodies, domestic and international, on how best to address such risks, and look forward to contributing to interagency work in this area.