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Multiple new climate-related banking rules mark a major pivot in the US

Article

The news: US banking regulators finalized multiple climate-related regulations and risk frameworks after the EU bolstered climate risk requirements for financial institutions (FIs).

The rules mark a shift in thinking regarding banks' responsibility to address the escalating risks of climate change.

New framework for big banks: The **Federal Reserve Board**, the **Office of the Comptroller of the Currency** (OCC), and the **Federal Deposit Insurance Corporation** (FDIC) published a joint framework on October 26 targeting climate-related financial risks at banks with more than $100 billion in assets.

- The guidance mandates that management provides each bank's board with precise and timely climate risk information and how it relates to their banking operations.
- Banks will have to measure, monitor, and control for climate-related financial risks, extend their planning horizons, and consider how complying with the guidelines would affect low- and moderate-income communities.
- FIs will not be prohibited from providing services to customers of any kind as a result of this framework.

Fair lending laws highlight climate risk: Regulators also updated the rules of the Community Reinvestment Act (CRA) to include provisions for climate-related financial risk exposure.

- These changes will go into effect in January 2026 and only affect FIs with more than $100 billion in assets.
- The new rules aim to support lower-income and minority communities by incentivizing banks to invest in the climate resilience of historically redlined neighborhoods.
- FIs that finance climate resilience activities in low- and moderate-income communities—like improving flood-control systems or creating more green spaces—will receive CRA credits.

That's not all: The US **Securities and Exchange Commission** (SEC) will also soon finalize rules on climate-related disclosures.

- The proposed rule would require publicly traded firms to disclose their greenhouse gas emissions.
- It would also require companies to report the environmental risks they face and mitigation efforts they plan to take—along with any associated costs to the business.
- This would be the first time US companies faced climate-related reporting requirements.

Not even the regulators can agree on how to proceed: The regulatory changes are facing mixed reviews from government officials and industry representatives alike.

- Some large FIs that participated in a climate risk consortium have expressed support for climate-focused regulations.
- But Fed Gov. Michelle Bowman voiced concerns about the changes, citing extra compliance costs for large banks and unintended ramifications for customers.
- Opposing any climate-related banking considerations, Texas Attorney General Ken Paxton is investigating whether major financial firms like **Bank of America** and **JPMorgan** have violated state laws by belonging to climate-focused alliances and potentially boycotting energy companies.
- Florida Gov. Ron DeSantis also proposed legislation banning ESG-related requirements for FIs.

Key Takeaways: While the regulators and government officials disagree on the role FIs should play in mitigating climate change, these are likely to be the first of many ESG-related frameworks that FIs will need to navigate.

- Beyond hashing out legal requirements, Gen Z wants businesses to take a public stand on issues like climate change and follow through with concrete actions.
- Public support for these measures can significantly enhance brand identity in marketing campaigns aimed at engaging younger generations.

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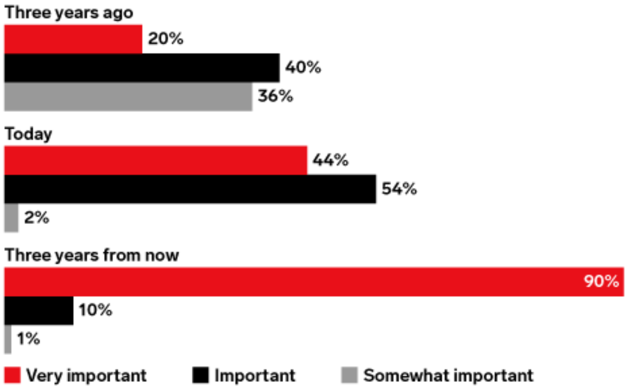
% of respondents



Note: n=268
Source: Forrester Consulting, "Prioritizing ESG Isn't Optional Anymore" commissioned by Dun & Bradstreet, June 6, 2022

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