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CHAIRWOMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

PATRICK MCHENRY, NC
RANKING MEMBER

November 19, 2021

The Honorable Michael J. Hsu
Acting Comptroller
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Dear Acting Comptroller Hsu:

Interest regarding the risk of climate change to the financial system and the broader U.S. economy continues to garner attention. Recently you've made statements indicating the OCC intends by the end of this year to issue for public comment a framework establishing supervisory expectations for climate risk management for large banks.

Notwithstanding the OCC's plans, many financial institutions report they lack necessary data to accurately model climate exposure risk, including in Comprehensive Capital Analysis and Review stress testing or Integrated Assessment Models. We are interested in better understanding how the OCC intends to implement such a framework and the supervisory consequences for banks that would ensue.

According to climate experts, deep uncertainty exists with respect to the precise geographic and ecological effects of climate change. The economic implications of climate-related geographic and ecological changes are subject to even more uncertainty. Given the substantial uncertainty that exists in this space, it is unclear what criteria the OCC intends to use to forecast climate risk within a financial institution's portfolio and operations.

1. Does the OCC have access to propriety climate risk data that is unavailable to financial institutions? Without accurate climate and historical data, the OCC could not correctly define the impacts of physical and transition risks or provide that data to institutions.

We are also interested in the supervisory consequences of promulgating a climate-risk framework.

1. Does the OCC intend to use the regulatory process to dictate the operations of OCC-supervised institutions?

2. Would adherence to the OCC's climate risk framework be voluntary or mandatory?

3. Would institutions be examined specifically for adherence to the OCC's climate risk framework?

4. In the event that a financial institution's evaluation of the climate risk of its assets or operations diverges from the OCC's view, would the institution be required to adopt the OCC's framework regarding its investment and operational decisions?

5. Would an institution be subject to supervisory or enforcement consequences, such as ratings downgrades or enforcement actions, for divergence from the OCC's framework?

The OCC's mission is to supervise and regulate national banks, not impose regulations to fit political endeavors. While we understand the potential impact of climate-related financial risk on financial institutions and the U.S. economy more broadly, given the inherent uncertainty in this area and the systemic danger of mispricing assets or imposing inaccurate modeling, we believe that prudence is more important than speed on this issue. We also believe that individual institutions are much better suited than the federal government to understanding the risks that are present within their portfolios and operations, including climate risk, and commend your remarks on allowing institutions to have a voice in the regulatory outcome.

We trust that the OCC will address this issue in a transparent manner and will give Congress and other stakeholders the opportunity to engage with the agency as we address this important issue. We appreciate your attention to this issue and look forward to your timely response.

Sincerely,

Patrick McHenry
Ranking Member

Ann Wagner
Vice Ranking Member

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