

Summary of Final Principles for Climate-Related Financial Risk Management for Large Financial Institutions

Background

Climate-related financial risks, including physical and transition risks, can manifest within traditional risk areas, including credit, market, liquidity, operational, and legal risks.

In December 2021, April 2022, and December 2022, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Board, respectively, proposed substantively similar guidance on risk management principles to support the effective management of climate-related financial risks for the financial institutions they supervise with over \$100 billion in total consolidated assets.

Final Guidance

- The final guidance is substantively similar to the guidance previously proposed by the agencies, with targeted modifications in response to commenter feedback. These modifications include clarification on the applicability to large foreign banking organizations, clarification on the role of boards of directors and management, and removal of a reference in the Board's proposal to compensation practices.
- The final guidance contains high-level principles covering six areas: governance; policies, procedures, and limits; strategic planning; risk management; data, risk measurement, and reporting; and scenario analysis. Additionally, the final principles describe how climate-related financial risks can be addressed in the management of traditional risk areas.
- The final principles neither prohibit nor discourage large financial institutions from providing banking services to customers of any specific class or type, as permitted by law or regulation. The decision regarding whether to make a loan or to open, close, or maintain an account rests with the financial institution, so long as the financial institution complies with applicable laws and regulations.
- The agencies are providing guidance to large financial institutions through these principles on the management of climate-related financial risks just as the agencies provide guidance to financial institutions in identifying and managing other risks.
- The final principles are intended to promote a consistent understanding of the effective management of climate-related financial risks.