



Climate Change and the Financial System

While financial institutions already have their hands full with a wide variety of compliance and risk-related responsibilities, you may have heard the term "climate change" being included in some industry discussions recently. Further, you might have thought to yourself, "what does that have to do with my institution? I can't control the climate."

While Compliance Officers and Risk Managers are familiar with identifying and managing risk, the concept of considering climate change is a new one. While the Federal Government's foray into this topic as it relates to our financial system is in its infancy, it is a topic to be aware of and is sure to be of interest as we monitor the actions, information, and direction that is sure to follow.

So what is this all about? At a high level:

- Climate change has been identified as a serious threat to our economy. Changes in weather can disrupt supply chains, threaten food and water supplies, and impact power grids.
- Such risks also impact the financial system, i.e. our infrastructure, investments, businesses, and even a person's life savings.

As an important first step, President Biden issued an Executive Order on **Climate-Related Financial Risk** earlier this month. The Executive Order intends to:

- Develop a whole-of-government approach to mitigating climate-related financial risk;
- Encourage financial regulators to assess climate-related financial risk;
- Bolster the resilience of life savings and pensions;
- Modernize federal lending, underwriting and procurement; and

Online Compliance Consulting **Update!**

The Online Compliance Consulting Dashboard has been enhanced!

- **NEW COVID-19-Related Resources:** A searchable listing of resources can be found at the top of the Online Compliance Dashboard in the COVID-19 section.
- **Updated Reg. F – Fair Debt Collection Compliance Alert**
- **Updated Reg. Z - General QM Compliance Alert**
- **Updated Compliance Calendar**
- **Updated Regulatory Deadlines Workbook & Implementation Checklists**
- **Updated Compliance Progress Dashboard**
- **Refreshed HMDA Resources**

To access this information and all other compliance features, go to:

<http://compliance.smslp.com/>

- Reduce the risk of climate change to the federal budget.

The Order calls for the Secretary of the Treasury, in consultation with Financial Stability Oversight Council members, to issue a report within 180 days of the date of the Order on efforts to integrate consideration of climate-related financial risk in policies and programs.

As the financial industry awaits more information as a result of the Order, interested persons may find the Presidential Action [here](#).

OCC Bulletin

In a surprising (and welcome) turn of events, the OCC issued a statement that they will **reconsider their June 2020 CRA final rule**.

To provide some background, in 2019 the OCC issued a notice of proposed rulemaking for its CRA regulation. After considering more than 7,500 comments, a final rule to modernize the OCC's CRA regulation was published in the Federal Register on June 5, 2020. It reflected significant changes and a variety of effective dates from October 1, 2020, to January 1, 2024.

In their **Bulletin 2021-24**, issued earlier this month, the OCC summarized their reconsideration and addressed the development of systems to implement changes from the June 2020 rule, as follows:

"The OCC has determined that it will reconsider the June 2020 rule. While this reconsideration is ongoing, the OCC will not object to the suspension of the development of systems for, or other implementation of, provisions with a compliance date of January 1, 2023, or January 1, 2024, under the 2020 CRA rule. At this time, the OCC also does not plan to finalize the December 4, 2020, proposed rule that requested comment on an approach to determine the CRA evaluation measure benchmarks, retail lending distribution test thresholds, and community development minimums under the June 2020 rule. In addition, the OCC is discontinuing the CRA information collection pursuant to the Paperwork Reduction Act (PRA) notice published in the Federal Register in December 2020."

In part, the OCC anticipates this will provide banks with more flexibility in managing other priorities brought about by the COVID-19 pandemic.

Interested persons are encouraged to read the Bulletin in its entirety, which may be found [here](#).

BSA/AML

Have you been struggling to keep on top of recent BSA/AML-related news? Are you wondering what recent changes were made to the BSA/AML Examination Manual? Do you know what feedback FinCEN and other Agencies are requesting related to BSA/AML Compliance?

To learn this and much more, mark your calendars to join us for our **Annual BSA/AML Webinar**, scheduled for **June 25th**.

This annual presentation, made jointly with Sheshunoff's National Compliance Services Director and Director of BSA/AML services, is a favorite every year. It is full of details that no BSA Officer and staff should miss. So, mark your calendar now. Details will be made available at [BankersWeb](#).

Calendar Reminders

- **5/30** – HMDA LAR Quarterly Submission
- **6/17** – Reg. Z HPML New Escrow Exemption Transition Period Concludes
- **6/25** – 2nd Quarter Be Prepared! Compliance Webinar

FDIC Proposes Rule on False Advertising

Last month, the FDIC announced its **notice of proposed rulemaking** related to **advertising and use of the FDIC's name and logo**. Financial Institution Letter FIL-28-2021 provided a summary and highlights.

The rulemaking implements the FDIC's authority to prohibit any person or organization from making misrepresentations about FDIC deposit insurance, or misusing the FDIC's name or logo.

Highlights of the proposed rule include and/or clarify:

- Prohibitions related to making false or misleading representations about deposit insurance;
- Prohibitions in using the FDIC's name or logo in a manner that would imply that an uninsured product is insured or guaranteed; and
- Prohibitions against knowingly misrepresenting the extent and manner of deposit insurance.

The proposal also describes how the FDIC would identify and investigate violations of conduct, what evaluations standards would be used, and the FDIC's procedures in enforcing the prohibitions.

Interested persons may find the proposed rule [here](#).

Convenient and Affordable Compliance Assistance

Do you need help preparing for the upcoming regulatory requirements? SC+S can help with our **Online Compliance Consulting Services**, which combines the ease of online tools with the guidance of a compliance expert.

You will have access to an online compliance expert who will:

- Answer all of your compliance questions;
- Review your new policies and disclosures for compliance; and
- Train your Board of Directors on upcoming regulatory requirements.

You will also receive access to our online tools, including:

- Our Compliance Calendar;
- Our Dashboard Feature and Progress List, that enables you to determine what steps you will need to take to comply with the requirements and track your progress as you implement them;
- Our exclusive Knowledge Base of compliance Q&As; and
- FREE access to our quarterly Be Prepared! webinar series.

For more information or a free demo, contact Rhonda Coggins at 512-703-1509.



Our next **Be Prepared!** Compliance Update webinar is scheduled for **June 25, 2021**. Details will be made available at [BankersWeb](#).

Contact Us

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