Dear Chairman Gensler:

As recognized in the letter prepared by the American Bankers Association (the “ABA”) in response to the request by the Securities and Exchange Commission (the “SEC”) for public input concerning climate change disclosures (such letter, the “ABA Letter”), many ABA members are “smaller and non-complex institutions that focus on their specific communities and lending regions.” International Bancshares Corporation (“IBC”) is among such members. IBC has prepared this response to add to the voice of such organizations, including, and especially, community and regional banks and emerging enterprises.

For the reasons set forth below, IBC opposes the SEC’s implementation of climate change disclosures:

1. Rather than accepting as fact the premise that the risk of climate change necessitates heightened disclosures, a preliminary critical assessment is needed to address the extent to which climate change threatens the financial system, whether burdensome climate change disclosures would effectively ameliorate such threat, and whether the benefits of climate change disclosure outweigh the costs of making them.

2. The focus of mandatory climate change disclosures is not relevant to investor protection or market stability, but rather the promotion of a political agenda by way of pressuring companies with the threat of reputational harm until they are forced to feign environmental concern and to implement “green” policies ultimately meant to appease proxy advisers’ socially conscious standards.

3. What constitutes a disclosure-worthy risk for one company may not be disclosure-worthy for another. The disclosure requirements under Regulation S-K Item 105 provide a sufficient means for certain companies to disclose environmental matters as material risk factors without needlessly requiring all companies to do so. The lack of present accountability among the nation’s top financiers of the fossil-fuel industry underscore the reality that climate change disclosures are not intended to protect investors.
4. Unlike community banks like IBC, mega banks have the resources and power both (i) to revamp their operations towards more climate-conscience initiatives even at the expense of losing key capital-generating streams of business, and (ii) to gain climate activism points by shaping the PR narrative around idealistic goals like net-zero emission financing targets that sound environmentally progressive, but will have little impact on the alleged immediate or short-term risks of climate change. In contrast, mandatory climate change disclosures would cause community banks to suffer (i) the substantial cost and burden of making the disclosures, including those associated with creating data collection and analysis procedures, (ii) the sacrifice of business and financing opportunities, and (iii) the potential reputational cost of being required to disclose information that may fall short of the unrealistic demands of green policy activists.

Mandating climate change disclosures would politicize the SEC’s role in regulating the financial industry under the guise of market and investor protection. While reducing the impact of climate change is a laudable effort, it should not be mistaken as a top priority for all companies or investors. IBC strongly recommends that the SEC continue to act as an apolitical regulatory body and resist the pressure to kowtow to partisan declarations of social sentiment by rejecting the implementation of climate change disclosures.

Thank you for the opportunity to share IBC’s view.

INTERNATIONAL BANCSHARES CORPORATION

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