

Climate-Related Financial Risk 2021: Financial Stability Oversight Council Report



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10/29/2021

The Financial Stability Oversight Council (“FSOC”) issued a document on October 21st titled:

Report on Climate-Related Financial Risk 2021 (“Report”)

The *Report* was issued in response to the Biden Administration’s Executive Order 14030 titled “Climate-Related Financial Risk”.

The FSOC was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Its assigned tasks include:

- Identifying risks to the financial stability of the United States
- Promoting market discipline
- Responding to emerging risks to the stability of the United States’ financial system

Report recommendations include:

- Assess climate-related financial risks to financial stability, including through scenario analysis, and evaluate the need for new or revised regulations or supervisory guidance to account for climate-related financial risks;
- Enhance climate-related disclosures to give investors and market participants the information they need to make informed decisions, which will also help regulators and financial institutions assess and manage climate-related risks;
- Enhance actionable climate-related data to allow better risk measurement by regulators and in the private sector; and
- Build capacity and expertise to ensure that climate-related financial risks are identified and managed.

The *Report* provides examples of activities already being undertaken which include:

- The Securities and Exchange Commission (SEC) has begun to evaluate its disclosure rules and requested public comment on ways to improve climate disclosure.
- The Federal Reserve Board (FRB) has established two committees to develop a better understanding of climate-related risks and incorporate them into its supervision of financial firms and into its financial stability framework.
- The Commodities Futures Trading Commission (CFTC) has engaged on climate-related financial risk issues through its Market Risk Advisory Committee (MRAC). In September 2020, the MRAC’s climate subcommittee issued a report entitled *Managing Climate Risk in the U.S. Financial System*, with recommendations to address the growing impact of climate-related financial risk.

- Both the Federal Housing Financing Agency (FHFA) and the Treasury Department's Federal Insurance Office have requested information on climate-related financial risks from the public to inform their activities

A link to the report can be found [here](#).