

117TH CONGRESS
1ST SESSION

S. _____

To establish the Advisory Committee on Climate Risk on the Financial
Stability Oversight Council.

IN THE SENATE OF THE UNITED STATES

_____ introduced the following bill; which was read twice
and referred to the Committee on _____

A BILL

To establish the Advisory Committee on Climate Risk on
the Financial Stability Oversight Council.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Addressing Climate
5 Financial Risk Act of 2021”.

6 **SEC. 2. ADVISORY COMMITTEE ON CLIMATE RISK.**

7 (a) IN GENERAL.—Subtitle A of the Financial Sta-
8 bility Act of 2010 (12 U.S.C. 5321 et seq.) is amended
9 by inserting after section 121 (12 U.S.C. 5331) the fol-
10 lowing:

1 **“SEC. 121A. ADVISORY COMMITTEE ON CLIMATE RISK.**

2 “(a) ESTABLISHMENT.—There is established in the
3 Council the Climate Risk Advisory Committee, which
4 shall—

5 “(1) consult with the Council in the drafting by
6 the Council of an annual report on climate risk re-
7 quired under subsection (e) and other climate risk
8 matters; and

9 “(2) meet with the Council not less frequently
10 than once per year.

11 “(b) MEMBERSHIP.—

12 “(1) IN GENERAL.—The Committee shall con-
13 sist of the following members:

14 “(A) Four members who are climate
15 science experts, of whom—

16 “(i) 1 shall be appointed by the Sec-
17 retary of Energy;

18 “(ii) 1 shall be appointed by the Ad-
19 ministrator of the Environmental Protec-
20 tion Agency; and

21 “(iii) 2 shall be appointed by the Di-
22 rector of the National Science Foundation.

23 “(B) Eight members who are experts in
24 climate economics or climate financial risk ap-
25 pointed by the Council, of whom not fewer than
26 1 member is each an expert in—

- 1 “(i) insurance;
2 “(ii) capital markets;
3 “(iii) banking;
4 “(iv) international financial markets;
5 “(v) housing; and
6 “(vi) the perspective of asset owners.

7 “(2) PROHIBITION.—No member of the Com-
8 mittee may be employed by a company within the ju-
9 risdiction of a member agency of the Council.

10 “(c) TERM.—The members of the Committee shall be
11 appointed for 3-year terms, except that the initial terms
12 of the first members of the Committee shall be staggered
13 so that—

- 14 “(1) 4 members serve terms of 3 years;
15 “(2) 4 members serve terms of 2 years; and
16 “(3) 4 members serve terms of 1 years.

17 “(d) CONSULTATION.—The Council shall consult
18 with the Committee in carrying out the requirements of
19 this section.

20 “(e) REPORT ON CLIMATE FINANCIAL RISK.—Not
21 later than 270 days after the date of enactment of this
22 section, the Council shall, in coordination with the Com-
23 mittee and the Deputies Committee of the Council, publish
24 a report that—

- 25 “(1) assesses—

1 “(A) the potential impact of climate risk
2 on the financial stability of the United States;

3 “(B) the extent to which Federal and
4 State financial regulatory agencies have suffi-
5 cient expertise on climate risk; and

6 “(C) the quality of data available to Coun-
7 cil members to properly assess climate financial
8 risk and any gaps in data that exist; and

9 “(D) the extent to which supervised finan-
10 cial institutions are engaging in sound climate
11 risk management; and

12 “(E) the degree of coordination among
13 Federal and State financial regulatory agencies
14 on climate risk; and

15 “(F) the degree of coordination by Federal
16 and State financial regulatory agencies with
17 international financial regulatory authorities on
18 climate financial risk; and

19 “(G) how U.S. climate financial risk disclo-
20 sure requirements compare to climate financial
21 risk disclosure regimes in other countries and to
22 other regimes that are available; and

23 “(H) any other areas the Council believes
24 are important; and

1 “(2) provides recommendations based on the as-
2 sessments in paragraph (1) to Federal and State fi-
3 nancial regulatory agencies and to Congress on how
4 to improve the ability of the financial regulatory sys-
5 tem in the United States to identify and mitigate cli-
6 mate financial risk.

7 “(f) MEMBER AGENCIES.—Each member agency
8 should develop and make publicly available a strategy to
9 identify and mitigate climate financial risk within the ju-
10 risdiction of the member agency.

11 “(g) COORDINATION.—The Council should—

12 “(1) facilitate the sharing of best practices on
13 climate financial risk across agencies; and

14 “(2) assign the Office of Financial Research to
15 conduct ongoing research into climate financial risk.

16 “(h) INCLUSION IN ANNUAL REPORT.—The Council
17 shall include a section on climate financial risk in—

18 “(1) the annual report of the Council to Con-
19 gress; and

20 “(2) if relevant, in any other report to Con-
21 gress.”.

22 (b) TECHNICAL AND CONFORMING AMENDMENT.—

23 The table of contents of the Dodd-Frank Wall Street Re-
24 form and Consumer Protection Act in section 1(b) of that

1 Act is amended by inserting after the item relating to sec-
2 tion 121 the following:

“Sec. 121A. Advisory Committee on Climate Risk.”.

3 **SEC. 3. UPDATE ON SUPERVISORY GUIDANCE ON CLIMATE**
4 **RISK.**

5 (a) DEFINITION.—In this section, the term “Federal
6 banking agency” has the meaning given the term in sec-
7 tion 2 of the Dodd-Frank Wall Street Reform and Con-
8 sumer Protection Act (12 U.S.C. 5301).

9 (b) UPDATE.—Each Federal banking agency and the
10 National Credit Union Administration shall update appli-
11 cable supervisory guidance to include climate risk, includ-
12 ing credit, liquidity, market, operational, and reputational
13 risk to ensure that supervised financial institutions appro-
14 priately identify and mitigate climate financial risk.

15 (c) COORDINATION.—The Federal Financial Institu-
16 tions Examination Council shall ensure that the guidance
17 updated under subsection (b) is—

18 (1) appropriately coordinated among the Fed-
19 eral banking agencies and the National Credit Union
20 Administration; and

21 (2) shared with State regulators.

22 **SEC. 4. UPDATE NONBANK SIFI DESIGNATION GUIDANCE.**

23 The Financial Stability Oversight Council shall up-
24 date subpart B of part 1310 of title 12, Code of Federal

1 Regulations, to specify how the Council will incorporate
2 climate risk into determinations described in that subpart.

3 **SEC. 5. FIO REPORT ON INSURANCE REGULATION AND CLI-**
4 **MATE RISK.**

5 Not later than 1 year after the date of enactment
6 of this Act, the Federal Insurance Office shall publish a
7 report that—

8 (1) assesses the potential impact of climate fi-
9 nancial risk on the insurance sector in the United
10 States; and

11 (2) recommends ways to modernize and improve
12 the system of climate risk insurance regulation in
13 the United States.

14 **SEC. 6. IMPROVE GLOBAL COORDINATION.**

15 It is the sense of Congress that relevant Federal fi-
16 nancial regulatory agencies and the Department of the
17 Treasury, if relevant, should—

18 (1) join the Network for Greening the Financial
19 System and other international organizations fo-
20 cused on climate financial risk;

21 (2) formally join the Task Force on Climate-
22 Related Financial Risks of the Basel Committee on
23 Banking Supervision; and

1 (3) work with international regulators on cli-
2 mate financial risk whenever possible, consistent
3 with United States law.