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

IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 2021

Mr. CASTEN (for himself, Ms. CASTOR of Florida, Ms. VELÁZQUEZ, Mr. CLEAVER, Mr. LEVIN of California, and Ms. NORTON) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

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

SEC. 2. ADVISORY COMMITTEE ON CLIMATE RISK.

(a) In General.—Subtitle A of the Financial Stability Act of 2010 (12 U.S.C. 5321 et seq.) is amended by inserting after section 121 (12 U.S.C. 5331) the following:
“SEC. 121A. ADVISORY COMMITTEE ON CLIMATE RISK.

“(a) Establishment.—There is established in the Council the Climate Risk Advisory Committee, which shall—

“(1) consult with the Council in the drafting by the Council of an annual report on climate risk required under subsection (e) and other climate risk matters; and

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

“(b) Membership.—

“(1) In general.—The Committee shall consist of the following members:

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

“(i) 1 shall be appointed by the Secretary of Energy;

“(ii) 1 shall be appointed by the Administrator of the Environmental Protection Agency; and

“(iii) 2 shall be appointed by the Director of the National Science Foundation.

“(B) Eight members who are experts in climate economics or climate financial risk appointed by the Council, of whom not fewer than 1 member is each an expert in—
“(i) insurance;
“(ii) capital markets;
“(iii) banking;
“(iv) international financial markets;
“(v) housing; and
“(vi) the perspective of asset owners.

“(2) PROHIBITION.—No member of the Committee may be employed by a company within the jurisdiction of a member agency of the Council.

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

“(1) 4 members serve terms of 3 years;
“(2) 4 members serve terms of 2 years; and
“(3) 4 members serve terms of 1 years.

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

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

“(1) assesses—
“(A) the potential impact of climate risk on the financial stability of the United States;
“(B) the extent to which Federal and State financial regulatory agencies have sufficient expertise on climate risk;
“(C) the quality of data available to Council members to properly assess climate financial risk and any gaps in data that exist;
“(D) the extent to which supervised financial institutions are engaging in sound climate risk management;
“(E) the degree of coordination among Federal and State financial regulatory agencies on climate risk;
“(F) the degree of coordination by Federal and State financial regulatory agencies with international financial regulatory authorities on climate financial risk;
“(G) how U.S. climate financial risk disclosure requirements compare to climate financial risk disclosure regimes in other countries and to other regimes that are available; and
“(H) any other areas the Council believes are important; and
“(2) provides recommendations based on the assessments in paragraph (1) to Federal and State financial regulatory agencies and to Congress on how to improve the ability of the financial regulatory system in the United States to identify and mitigate climate financial risk.

“(f) MEMBER AGENCIES.—Each member agency should develop and make publicly available a strategy to identify and mitigate climate financial risk within the jurisdiction of the member agency.

“(g) COORDINATION.—The Council should—

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

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

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

“(1) the annual report of the Council to Congress; and

“(2) if relevant, in any other report to Congress.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—

The table of contents of the Dodd-Frank Wall Street Reform and Consumer Protection Act in section 1(b) of that
Act is amended by inserting after the item relating to section 121 the following:

"Sec. 121A. Advisory Committee on Climate Risk."

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

(a) DEFINITION.—In this section, the term "Federal banking agency" has the meaning given the term in section 2 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5301).

(b) UPDATE.—Each Federal banking agency and the National Credit Union Administration shall update applicable supervisory guidance to include climate risk, including credit, liquidity, market, operational, and reputational risk to ensure that supervised financial institutions appropriately identify and mitigate climate financial risk.

(c) COORDINATION.—The Federal Financial Institutions Examination Council shall ensure that the guidance updated under subsection (b) is—

(1) appropriately coordinated among the Federal banking agencies and the National Credit Union Administration; and

(2) shared with State regulators.

SEC. 4. UPDATE NONBANK SIFI DESIGNATION GUIDANCE.

The Financial Stability Oversight Council shall update subpart B of part 1310 of title 12, Code of Federal
Regulations, to specify how the Council will incorporate climate risk into determinations described in that subpart.

SEC. 5. FIO REPORT ON INSURANCE REGULATION AND CLIMATE RISK.

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

(1) assesses the potential impact of climate financial risk on the insurance sector in the United States; and

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

SEC. 6. IMPROVE GLOBAL COORDINATION.

It is the sense of Congress that relevant Federal financial regulatory agencies and the Department of the Treasury, if relevant, should—

(1) join the Network for Greening the Financial System and other international organizations focused on climate financial risk;

(2) formally join the Task Force on Climate-Related Financial Risks of the Basel Committee on Banking Supervision; and
(3) work with international regulators on climate financial risk whenever possible, consistent with United States law.