

117TH CONGRESS
1ST SESSION

S. 588

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

IN THE SENATE OF THE UNITED STATES

MARCH 4, 2021

Mrs. FEINSTEIN (for herself, Ms. CORTEZ MASTO, Mr. PADILLA, Mr. SCHATZ,
Ms. WARREN, Mr. HEINRICH, and Mr. MERKLEY) introduced the fol-
lowing bill; which was read twice and referred to the Committee on Bank-
ing, Housing, and Urban Affairs

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

1 by inserting after section 121 (12 U.S.C. 5331) the fol-
 2 lowing:

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

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

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

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

13 “(b) MEMBERSHIP.—

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

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

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

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

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

1 “(B) Eight members who are experts in
 2 climate economics or climate financial risk ap-
 3 pointed by the Council, of whom not fewer than
 4 1 member is each an expert in—

5 “(i) insurance;

6 “(ii) capital markets;

7 “(iii) banking;

8 “(iv) international financial markets;

9 “(v) housing; and

10 “(vi) the perspective of asset owners.

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

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

18 “(1) 4 members serve terms of 3 years;

19 “(2) 4 members serve terms of 2 years; and

20 “(3) 4 members serve terms of 1 years.

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

24 “(e) REPORT ON CLIMATE FINANCIAL RISK.—Not
 25 later than 270 days after the date of enactment of this

1 section, the Council shall, in coordination with the Com-
2 mittee and the Deputies Committee of the Council, publish
3 a report that—

4 “(1) assesses—

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

7 “(B) the extent to which Federal and
8 State financial regulatory agencies have suffi-
9 cient expertise on climate risk;

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

13 “(D) the extent to which supervised finan-
14 cial institutions are engaging in sound climate
15 risk management;

16 “(E) the degree of coordination among
17 Federal and State financial regulatory agencies
18 on climate risk;

19 “(F) the degree of coordination by Federal
20 and State financial regulatory agencies with
21 international financial regulatory authorities on
22 climate financial risk;

23 “(G) how U.S. climate financial risk disclo-
24 sure requirements compare to climate financial

1 risk disclosure regimes in other countries and to
2 other regimes that are available; and

3 “(H) any other areas the Council believes
4 are important; and

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

11 “(f) MEMBER AGENCIES.—Each member agency
12 should develop and make publicly available a strategy to
13 identify and mitigate climate financial risk within the ju-
14 risdiction of the member agency.

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

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

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

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

22 “(1) the annual report of the Council to Con-
23 gress; and

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

1 (b) TECHNICAL AND CONFORMING AMENDMENT.—
 2 The table of contents of the Dodd-Frank Wall Street Re-
 3 form and Consumer Protection Act in section 1(b) of that
 4 Act is amended by inserting after the item relating to sec-
 5 tion 121 the following:

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

6 **SEC. 3. UPDATE ON SUPERVISORY GUIDANCE ON CLIMATE**
 7 **RISK.**

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

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

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

- 21 (1) appropriately coordinated among the Fed-
 22 eral banking agencies and the National Credit Union
 23 Administration; and
- 24 (2) shared with State regulators.

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

2 The Financial Stability Oversight Council shall up-
3 date subpart B of part 1310 of title 12, Code of Federal
4 Regulations, to specify how the Council will incorporate
5 climate risk into determinations described in that subpart.

6 **SEC. 5. FIO REPORT ON INSURANCE REGULATION AND CLI-**
7 **MATE RISK.**

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

11 (1) assesses the potential impact of climate fi-
12 nancial risk on the insurance sector in the United
13 States; and

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

17 **SEC. 6. IMPROVE GLOBAL COORDINATION.**

18 It is the sense of Congress that relevant Federal fi-
19 nancial regulatory agencies and the Department of the
20 Treasury, if relevant, should—

21 (1) join the Network for Greening the Financial
22 System and other international organizations fo-
23 cused on climate financial risk;

24 (2) formally join the Task Force on Climate-
25 Related Financial Risks of the Basel Committee on
26 Banking Supervision; and

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

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