

Regulatory dynamics under the Biden Administration’s whole-of-government approach

There is new momentum to address climate-related financial risks by coordinating the Financial Stability Oversight Council (FSOC).¹ Members of FSOC, chaired by US Treasury Secretary Janet Yellen, are expected to issue guidance on how they intend to incorporate these risks in their regulatory and supervisory practices.²

Janet Yellen
US Treasury Secretary and Chair of FSOC³

Selected Members of the Financial Stability Oversight Council



FRB	OCC	FDIC	SEC	CFTC	CFPB	FHFA	NCUA	Independent
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Key Agenda Items⁶	<ul style="list-style-type: none"> Stress testing and scenario analysis Capital charges Capital requirements Lending standards Model Risk Transmission and vulnerabilities 	<ul style="list-style-type: none"> Safety and soundness Enterprise Risk Management (ERM) frameworks Lending standards Capital rules / Industry concentration 	<ul style="list-style-type: none"> Identification, monitoring, and management of risks posed by climate change Special concern of climate risks to agricultural lenders 	<ul style="list-style-type: none"> Review of climate-related disclosures in public company filings Role of the Board and governance Net zero public commitments Incorporate ESG factors into ratings and actions 	<ul style="list-style-type: none"> Climate-related financial and market risks Derivatives and other instruments to hedge for climate risk and extreme weather Market transparency 	<ul style="list-style-type: none"> Policies on Truth in Lending Act (TILA)⁴ and Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)⁵ 	<ul style="list-style-type: none"> Current and future climate and natural disaster risks to the housing finance system and to the regulated entities Mortgage underwriting standards 	<ul style="list-style-type: none"> Measuring, monitoring, and mitigating risks Safety and soundness of credit unions, and protecting consumers Risk-based capital rules 	<ul style="list-style-type: none"> Risks of climate change to the insurance sector Assess gaps in the supervision and regulation of US insurers
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Representative Groups and Affiliations⁷	<ul style="list-style-type: none"> FRB: Network for Greening the Financial System (NGFS); micro-prudential Supervision Climate Committee; macro-prudential Financial Stability Climate Committee SEC: Environmental, Social, and Governance Task Force in the Division of Enforcement CFTC: Climate Risk Unit; Market Risk Advisory Committee’s Climate-Related Market Risk Subcommittee OCC: NGFS; Climate Change Risk Officer within the Division of Supervision Risk and Analysis
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¹ The White House, “Executive Order on Climate-Related Financial Risk,” <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/20/executive-order-on-climate-related-financial-risk/>
² US Department of Treasury, “Remarks by Secretary Janet L. Yellen at the Open Session of the meeting of the Financial Stability Oversight Council,” <https://home.treasury.gov/news/press-releases/jy0092>
³ US Department of Treasury, “About FSOC” <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc/about-fsoc>.
⁴ Consumer Financial Protection Bureau, “12 CFR Part 1026 (Regulation Z),” <https://www.consumerfinance.gov/rules-policy/regulations/1026/1/>
⁵ Consumer Financial Protection Bureau, “Unfair, Deceptive, or Abusive Acts or Practices,” https://files.consumerfinance.gov/f/documents/102012_cfpb_unfair-deceptive-abusive-acts-practices-udaaps_procedures.pdf
⁶ US Department of Treasury, “Readout of Financial Stability Oversight Council Meeting on March 31, 2021,” <https://home.treasury.gov/news/press-releases/jy0093>
⁷ Please note, these are highlights of several working groups or affiliations recently formed, for more detailed information please see: <https://www2.deloitte.com/us/en/pages/financial-services/articles/climate-change-financial-risk-regulations.html>