

Climate and ESG Policy Update MBA Green Lending Roundtable

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Adrian Ballinger
Policy Advisor CMF Policy
Mortgage Bankers Association

Federal regulators, the White House, and Congress continue to be active in climate change and ESG policy

- **Securities and Exchange Commission**

- **RFI.** The SEC [issued](#) a Request for Input (RFI) on climate change disclosures (comment period closed on June 14).
- **MBA [responded](#)** to the SEC RFI with guiding principles.
- **Advisory Input.** The SEC's Asset Management Advisory Committee (AMAC) provided the SEC with [recommendations](#) on climate and ESG disclosures on July 7.
- **Gensler remarks.** Chairman Gensler's prepared [remarks](#) at the AMAC meeting highlighted the importance of examining the data underlying fund sustainability claims and revisiting the naming rule.

- **White House: [Executive Order](#) on Climate-Related Financial Risk on May 20**

- **Federal Agencies.** The EO directs federal agencies to begin analyzing and planning for the risks that climate change presents to consumers and the U.S. financial system.
- **Treasury and FSOC.** The EO instructs the Secretary of the Treasury, as Chair of the Financial Stability Oversight Council (FSOC), to assess climate related risks to U.S. financial system, including examining policies on disclosure of climate-related financial risk.
 - FSOC's focus on climate-related disclosures in the upcoming report would be complementary to the work ongoing at the SEC.
 - FSOC to meet on July 16 with an agenda that includes "the proposed Council report to be issued under the Executive Order on Climate-Related Financial Risk."
- **National Economic Council.** The EO directs the National Climate Advisor and the Director of the National Economic Council to develop a report that is a "comprehensive government-wide climate-risk strategy to identify and disclose climate-related financial risk to government programs, assets, and liabilities."

- **Congress**

- **Hearings.** House and Senate Committees (HFSC, SCCC, etc.) continue to hold hearings on climate change risk.
- **Legislation.** House passed Corporate Governance and Investor Protection Act – Would require publicly traded companies to disclose ESG metrics, but low likelihood of legislation becoming law on this topic soon. Other proposed legislation would increase risk weight for bank loans to borrowers engaged in the fossil fuel business.

International financial regulators continue to focus on harmonization efforts, with input from U.S. regulators

- **Financial Stability Board (FSB)**

- **FSB Roadmap (July 10).** The FSB published an [FSB Roadmap for Addressing Climate-Related Financial risks](#)
 - The Roadmap is designed to coordinate at an international level the growing number of initiatives to address climate risk in the financial system.
 - Focuses on disclosures, data, vulnerabilities analysis, and regulatory and supervisory approaches.
 - The FSB presented the Roadmap to the G20.
 - **FSB Chairman Quarles** (also Vice Chairman of the Federal Reserve), issued a statement in support of the climate roadmap.
 - Given Chairman Quarles position as Vice Chairman of the Federal Reserve, future regulation on climate risk could be influenced by the FSB roadmap.

- **Treasury and International Efforts**

- **International Conference on Climate (July 11).** **Treasury Secretary Yellen** delivered [remarks](#) at the Venice International Conference on Climate reiterating the Biden Administration's commitment to work with domestic and international partners on consistent and comparable disclosures, building on the recommendations that FSB's Task Force on Climate-related Financial Disclosures (TCFD).
- **Sustainable Finance Working Group.** US Treasury is co-chairing the G20 Sustainable Finance Working Group, which is developing recommendations to improve climate disclosures and align finance with climate goals.

Timeline on Climate and ESG Policy Developments

What's next?

- **National Climate Advisor and the Director of the National Economic Council** report on government-wide climate-risk strategy to identify and disclose climate-related financial risk to government programs, assets, and liabilities.” (due by September 17).
- **SEC** rulemaking on climate and ESG disclosures (expected in October).
- **FSOC** report assessing climate-related risks to U.S. financial system (due by November 16).
- Continued statements by **Federal Reserve, OCC, SEC, and other state regulators** indicating possible direction and intent as to climate and ESG.
- **Treasury's** work on the G20 Sustainable Finance Working Group.
- Possible **Congressional** Action – TBD.

MBA Guiding Principles on ESG

From MBA's response to SEC RFI

- Clearly distinguish between climate-change risk and ESG.
- Focus on the agency's statutory mission and authority (stay in your lane).
- Apply a principles-based vs. prescriptive approach.
- Employ an iterative and interactive process.
- Balance costs and benefits.
- Harmonize efforts with other standard setters.

Contact information and additional resources

If you have any further questions, please don't hesitate to reach out:

Adrian Ballinger

aballinger@mba.org

(202) 557-2774

Link to the MBA CMF Climate Change and ESG Webpage:

<https://www.mba.org/advocacy-and-policy/cm-f-policy-issues/climate-and-esg>