



MORTGAGE BANKERS ASSOCIATION

MBA Climate and Environmental, Social, Governance (ESG) Policy Updates (July 12 – July 16)

FSOC To Meet Today (Friday) On Climate-Related Risk, Among Others
The Financial Stability Oversight Council's (FSOC) [closed-door meeting](#) today will likely include a discussion of how member agencies can improve climate-related disclosures and better incorporate climate risk into regulatory and supervisory actions. The President's Executive Order on Climate-Related Financial Risk, signed on May 20, directs the Treasury work with FSOC to put together an assessment for how member agencies can improve climate-related disclosures and how to incorporate climate-risk into supervisory practices.

- **Why it matters:** The Biden Administration continues to move forward with policies to enhance climate-related disclosure in the financial system.
- **What is next:** MBA staff will analyze the notes from FSOC's closed-door meeting when they are released to gain insight into climate disclosure discussions. The FSOC's assessment is due in November.

MBA Green Lending Roundtable Holds Monthly Meeting

On Wednesday, Mortgage Banker Association (MBA) hosted a virtual meeting of its Green Lending Roundtable to discuss environmental, social, governance (ESG) and climate policy as well as hear from industry experts on the green lending standardization. MBA members heard from Ceres' Accelerator for Sustainable Capital Markets about the current state of green standardization and other efforts around green lending. MBA staff also gave a [presentation](#) to members on ESG and climate policy and the Mortgage Industry Standards Maintenance Organization (MISMO) provided an update on ongoing work to facilitate the development of green lending and ESG standards. The Green Lending Roundtable consists of MBA members that work together to gather and share information on emerging investor expectations and appetites on climate risk and ESG, and to identify policy and other trends and conditions in climate and ESG investing.

- **Why it matters:** Members are encouraged to participate in the Green Lending Roundtable to discuss the latest policy trends in ESG and green lending.
- **What is next:** MBA's Green Lending Roundtable meets monthly.

(Updates from the week of July 5 - July 9)

1. SEC is Considering Disclosure on Criteria and Data Backing Fund Sustainability Claims

On Wednesday, in prepared [remarks](#) before the Asset Management Advisory Committee (AMAC), U.S. Securities and Exchange Commissioner Gary Gensler said that the SEC is looking at requiring “sustainability” funds to disclose the underlying data supporting claims of “green” and “sustainable” investing. SEC staff is also looking at updating naming conventions and examining whether distinctions between investment strategy and type are still necessary. The existing Naming Rule says that if a fund’s name suggests a particular investment strategy, then the fund must invest at least 80% of its value in that investment type. Gensler mentioned that updating disclosure and naming conventions would bring much-needed transparency to the asset management industry, especially considering the growing investment in environmental, social, and corporate governance (ESG).

- **Why it matters:** The Chairman’s remarks are indicators of the SEC’s focus on future rulemaking on ESG, climate risk, and human capital disclosures.
- **What’s next:** MBA will continue to analyze ESG and climate-related action on the part of regulators and advocate on these issues on behalf of our members.

2. SEC Receives Advisory Committee Recommendations on ESG Disclosures

At the same event on Wednesday, AMAC provided [recommendations](#) to the SEC to improve ESG data, disclosure, and transparency. The ESG disclosure recommendations focus on disclosure of material ESG matters, ESG investment product disclosure, and observation on performance measurements. AMAC, which is composed of outside experts, including individuals representing institutional investors; retail, small, and large funds; and intermediaries, was formed to provide the Commission with perspectives on asset management and related advice.

- **Why it matters:** AMAC’s recommendations will be considered by the SEC as it works on possible future actions on ESG disclosures.
- **What’s next:** The SEC will consider the recommendations from AMAC, and MBA will continue to track and analyze any ESG-related action taken by the SEC.

3. FSB Publishes Roadmap for Addressing Climate-Related Financial Risks

On Wednesday, FSB [published](#) a roadmap designed to coordinate at an international level the growing number of initiatives to address climate risk in the financial system. According to FSB, the roadmap supports international work in climate risk in several ways, including promoting existing climate initiatives at standard-setting bodies, helping to identify data gaps, limiting overlap, facilitating discussion on climate-related issues, and providing input into broader international policy considerations. The roadmap focuses on future work on financial risk of climate change in four areas: firm-level disclosures, data, vulnerabilities analysis, and regulatory and supervisory practices and tools. The FSB roadmap will be delivered to the G20 Finance Ministers and Central Bank Governors meeting on July 9 and 10, 2021.

- **Why it matters:** FSB Chair Randal Quarles is also Vice Chair of the Federal Reserve, so future U.S. climate-risk disclosures will likely be influenced by the FSB roadmap.
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- **What's next:** MBA will analyze the FSB roadmap for CREF impacts and its implications for future policy decisions regarding climate change and ESG disclosure.