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CFTC's Climate-Related Market Risk Subcommittee Releases Report

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Washington, D.C. — The Commodity Futures Trading Commission's Climate-Related Market Risk Subcommittee of the Market Risk Advisory Committee (MRAC) today released a report entitled [Managing Climate Risk in the U.S. Financial System](#). The Climate Subcommittee voted unanimously 34-0 to adopt the report.

CFTC Commissioner Rostin Behnam, sponsor of the MRAC, noted: "Today would not be possible without the dedication and devotion of the Climate Subcommittee members. They spent tireless hours drafting an incredibly thorough report that has far exceeded expectations. I want to personally thank them for their work on this groundbreaking effort during unprecedented times.

"As we've seen in the past few weeks alone, extreme weather events continue to sweep the nation from the severe wildfires of the West to the devastating Midwest derecho and damaging Gulf Coast hurricanes. This trend—which is increasingly becoming our new normal—will likely continue to worsen in frequency and intensity as a result of a changing climate," Behnam continued. "Beyond their physical devastation and tragic loss of human life and livelihood, escalating weather events also pose significant challenges to our financial system and our ability to sustain long-term economic growth. Now, with this report in hand, policymakers, regulators, and stakeholders can begin the process of taking thoughtful and intentional steps toward building a climate-resilient financial system that prepares our country for the decades to come."

Managing Climate Risk in the U.S. Financial System is the first of-its-kind effort from a U.S. government entity. Commissioner Behnam initiated this effort to examine climate-related impacts on the financial system in June 2019 when the MRAC convened to examine climate change-related financial risks. At that meeting, Behnam pointed to the critical importance of undertaking this effort, highlighting ongoing work by private market participants and government entities across the globe, including more than 40 central banks and supervisors like the European Central Bank, the World Bank, and the People's Bank of China.

This meeting laid the groundwork for the Commission's approval of the establishment of the Climate-Related Market Risk Subcommittee, which drew applicants and ultimately members from financial markets, the banking and insurance sectors, as well as the agricultural and energy markets, data and intelligence service providers, the environmental and sustainability public policy sector, and academic disciplines focused on climate change, adaptation, public policy, and finance.

The report, which presents 53 recommendations to mitigate the risks to financial markets posed by climate change, concludes that:

- Climate change poses a major risk to the stability of the U.S. financial system and to its ability to sustain the American economy;
- Climate risks may also exacerbate financial system vulnerability that have little to do with climate change; including vulnerabilities caused by a pandemic that has stressed balance sheets, strained government budgets, and depleted household wealth;
- U.S. financial regulators must recognize that climate change poses serious emerging risks to the U.S. financial system, and they should move urgently and decisively to measure, understand, and address these risks;
- Existing statutes already provide U.S. financial regulators with wide-ranging and flexible authorities that could be used to start addressing financial climate-related risk now;
- Regulators can help promote the role of financial markets as providers of solutions to climate-related risks; and
- Financial innovation is required not only to efficiently manage climate risk but also to facilitate the flow of capital to help accelerate the net-zero transition and increase economic opportunity.

“I am grateful to every one of the subcommittee members, especially Chairman Bob Litterman, who skillfully shepherded the subcommittee through challenging times to deliver this historic report,” remarked Behnam.

“I was amazed and gratified that the CFTC asked for this report, and I was honored to chair the subcommittee, but I think what is most unique about this effort is that more than 30 financial market participants agreed on so much,” said Litterman, founding partner and Risk Committee Chairman of Kepos Capital.

To view the report in its entirety, please see [here](#).

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