

**MEMO# 32167**

January 22, 2020

# **US CFTC Market Risk Advisory Committee's Subcommittee's Planned Report on Climate-Related Financial and Market Risks**

[32167]

January 22, 2020 TO: ICI Members

ICI Global Members SUBJECTS: Compliance

Disclosure

Investment Advisers

Trading and Markets RE: US CFTC Market Risk Advisory Committee's Subcommittee's  
Planned Report on Climate-Related Financial and Market Risks

The US CFTC's Market Risk Advisory Committee's Climate-Related Market Risk Subcommittee had an inaugural meeting in November and met again on December 11, 2019. This memorandum describes the impetus for the group's creation and the report it expects to publish.

The CFTC's press release indicated that the creation of the Subcommittee:

signals that this first-of-its-kind effort to provide a federal independent agency-sponsored forum to address climate-related financial market risks is well-timed to raise awareness on the urgency of taking action. Addressing the near- and long-term impacts of climate change on our financial markets and the greater economy requires an unprecedented level of coordination.[\[1\]](#)

The subcommittee chair, Bob Litterman, Founding Partner of Kepos Capital, reported that at its first meeting, in November, there seemed to be a strong consensus among subcommittee members that the appropriate role of the public sector is to not to direct investments, but rather to provide incentives and the appropriate regulatory framework, and let the market freely allocate capital.

At its December meeting, the subcommittee chairman indicated that the subcommittee would be submitting a report to the CFTC by June of 2020.[\[2\]](#) He described the report as one that will focus on climate-related financial and market risks and make recommendations to the CFTC. In particular, it will:

- focus on ways in which market participants can improve the integration of scenario analysis and climate stress testing into their risk management function and financial reporting;
- discuss the implications for market oversight policies, including disclosures, governance, strategy, risk management, and conduct;
- try to identify and make recommendations with respect to the types of scenarios and stress tests, as well as data and analytics that need to be developed and used;
- recommend additional market and derivatives products that may improve the identification and hedging of climate related financial risks; and
- recommend policies designed to facilitate capital flows required to finance the transition to a low-carbon economy.

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#### **endnotes**

[1] The press release announcing the subcommittee's creation is available on the CFTC's website at <https://www.cftc.gov/PressRoom/PressReleases/8079-19>

[2] Chairman and commissioner statements, an agenda, Bob Litterman's remarks, additional materials, and an archive of the webcast for the December meeting are available on the CFTC's website at [https://www.cftc.gov/About/CFTCCcommittees/MarketRiskAdvisoryCommittee/mrac\\_meetings.html](https://www.cftc.gov/About/CFTCCcommittees/MarketRiskAdvisoryCommittee/mrac_meetings.html)