

## Commodity Futures Trading Commission [CFTC].

The commodities market in Chicago is one of the strongest proponents of the private sector in the world. They are now grappling with climate change.  
A breakthrough for science.

### From the CFTC website...

The mission of the Commodity Futures Trading Commission is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation.

### CFTC's Climate-Related Market Risk Subcommittee Releases Report

September 09, 2020

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.

### Market Risk Advisory Committee [MRAC] Reports

[Managing Climate Risk in the U.S. Financial System, Report of the Climate-Related Market Risk Subcommittee](#) (September 9, 2020)

- [Cargill Statement re Managing Climate Risk in the U.S. Financial System](#)
- [Citi, JP Morgan, Morgan Stanley Joint Statement re Managing Climate Risk in the U.S. Financial System](#)
- [CME Statement re Managing Climate Risk in the U.S. Financial System](#)
- [Conoco Phillips Statement re Managing Climate Risk in the U.S. Financial System](#)
- [Vanguard Statement re Managing Climate Risk in the U.S. Financial System](#)

### Findings of the Report.

The Report has many findings and recommendations...all are calls to action. The most important finding:

*"This report begins with a fundamental finding—financial markets will only be able to channel resources efficiently to activities that reduce greenhouse gas emissions if an economy-wide price on carbon is in place at a level that reflects the true social cost of those emissions." [p ii]*

### Recommendations of the Report of Importance to Cities.

For the most part, the recommendations address issues relevant to national and international financial regulators and institutions. The take-aways for small cities and towns are:

1. The concept of "risk" is an important one in many ways. The report is a fine tutorial on the concepts and practicalities of risk.

2. The scope and participants of this study reflect a strong interest in the issue of risks related to climate change. If these stick, the attention to the issue may grow and increasingly impact all sectors of American society including small cities and towns. Being aware and ready would be wise.
3. More specifically, several recommendations, namely 7.10, 7.11 and 7.12, below, relate to municipal securities. Climate risk factors may start to figure into the municipal bond market.

**SPECIFICALLY:**

**Chapter 4**

- Recommendation 4.10: Financial authorities should consider integrating climate risk into their balance sheet management and asset purchases, particularly relating to corporate and municipal debt.

**Chapter 7**

Municipal Securities Regulators

- Recommendation 7.10: Municipal securities regulators should provide improved tools on the EMMA website to search for climate-related disclosure in municipal bond filings, similar to that provided for publicly traded companies, to allow better assessments of potential climate risk exposure in such assets and how they are being addressed.
- Recommendation 7.11: Municipal securities regulators and the federal financial market regulator overseeing them should examine the quality of climate-related disclosures in municipal bonds' official statements and continuing disclosures, and whether the disclosure provided is adequate for market participants to assess any underlying climate risk exposure. If disclosure is found to be deficient, they should issue a public statement calling on key stakeholders to improve disclosure, including municipalities, municipal advisers, and banks.
- Recommendation 7.12: Municipal securities regulators and federal financial market and prudential regulators should study how risks facing municipalities differ from—and could in some cases be more impactful than—risks facing issuers and explore options to enhance disclosure on these issues. Some municipalities already disclose information, as part of their bond issuances, about floods, storms, dam safety, droughts, wildfires, sea level rise, and risk mitigation efforts, and further study could demonstrate that such disclosure should be enhanced.

**Chapter 8**

- Recommendation 8.1: The United States should consider integration of climate risk into fiscal policy, particularly for economic stimulus activities covering infrastructure, disaster relief, or other federal rebuilding. Current and ongoing fiscal policy decisions have implications for climate risk across the financial system.

**Read The Full Report At:**

[https://www.cftc.gov/About/AdvisoryCommittees/MarketRiskAdvisory/MRAC\\_Reports.html](https://www.cftc.gov/About/AdvisoryCommittees/MarketRiskAdvisory/MRAC_Reports.html)