

PROVIDING FOR CONGRESSIONAL DISAPPROVAL UNDER CHAPTER 8 OF
TITLE 5, UNITED STATES CODE, OF THE RULE SUBMITTED BY THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM RELATING
TO “PRINCIPLES FOR CLIMATE-RELATED FINANCIAL RISK MANAGE-
MENT FOR LARGE FINANCIAL INSTITUTIONS”

SEPTEMBER 9, 2024.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. MCHENRY, from the Committee on Financial Services,
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.J. Res. 125]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the
joint resolution (H.J. Res. 125) providing for congressional dis-
approval under chapter 8 of title 5, United States Code, of the rule
submitted by the Board of Governors of the Federal Reserve Sys-
tem relating to “Principles for Climate-Related Financial Risk
Management for Large Financial Institutions”, having considered
the same, reports favorably thereon without amendment and rec-
ommends that the joint resolution do pass.

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PURPOSE AND SUMMARY

Introduced on April 5, 2024, by Representative Scott Fitzgerald, H.J. Res. 125, a *resolution providing for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Board of Governors of the Federal Reserve System relating to “Principles for Climate-Related Financial Risk Management for Large Financial Institutions”* would rescind the Board of Governors of the Federal Reserve System’s rule relating to “Principles for Climate-Related Financial Risk Management for Large Financial Institutions.”

BACKGROUND AND NEED FOR LEGISLATION

On October 30, 2023, the Federal banking agencies jointly issued interagency guidance setting principles for large financial institutions’ climate-related financial risk management. These “principles” are likely to be abused by bank examiners to push banks to channel credit away from carbon intensive sectors of the economy to so-called ‘green’ sectors. These types of credit allocation decisions are best left to the markets and to Congress, not politically unaccountable independent agencies.

RELATED HEARINGS

Pursuant to clause 3(c)(6) of rule XIII, the following hearings were used to develop H.J. Res. 125: The Subcommittee on Financial Institutions and Monetary Policy of the Committee on Financial Services held a hearing on March 21, 2024, titled “Importing Global Governance: Examining the Dangers of Ceding Authority Over American Financial Regulation.”

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on April 17, 2024, and ordered H.J. Res. 125 to be reported favorably to the House by a recorded vote of 28 ayes to 22 nays (Record vote no. FC–141), a quorum being present.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the order to report legislation and amendments thereto. H.J. Res. 125 was ordered reported favorably to the House by a recorded vote of 28 ayes to 22 nays (Record vote no. FC–141), a quorum being present.

Record vote no. FC- 141

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. McHenry	X	—	—	Ms. Waters	—	X	—
Mr. Hill	X	—	—	Mrs. Velázquez	—	—	—
Mr. Lucas	X	—	—	Mr. Sherman	—	X	—
Mr. Sessions	X	—	—	Mr. Meeks	—	X	—
Mr. Posey	X	—	—	Mr. Scott	—	X	—
Mr. Luetkemeyer	—	—	—	Mr. Lynch	—	X	—
Mr. Huizenga	X	—	—	Mr. Green	—	X	—
Mrs. Wagner	X	—	—	Mr. Cleaver	—	X	—
Mr. Barr	X	—	—	Mr. Himes	—	X	—
Mr. Williams (TX)	X	—	—	Mr. Foster	—	X	—
Mr. Enmer	X	—	—	Mrs. Beatty	—	X	—
Mr. Loudermilk	X	—	—	Mr. Vargas	—	X	—
Mr. Mooney	X	—	—	Mr. Gottheimer	—	X	—
Mr. Davidson	X	—	—	Mr. Gonzalez	—	X	—
Mr. Rose	X	—	—	Mr. Casten	—	X	—
Mr. Steil	X	—	—	Ms. Pressley	—	X	—
Mr. Timmons	X	—	—	Mr. Horsford	—	X	—
Mr. Norman	X	—	—	Ms. Tlaib	—	X	—
Mr. Meuser	X	—	—	Mr. Torres	—	X	—
Mr. Fitzgerald	X	—	—	Ms. Garcia	—	X	—
Mr. Garbarino	X	—	—	Ms. Williams (GA)	—	X	—
Mrs. Kim	X	—	—	Mr. Nickel	—	X	—
Mr. Donalds	X	—	—	Ms. Pettersen	—	X	—
Mr. Flood	X	—	—				
Mr. Lawler	X	—	—				
Mr. Nunn	X	—	—				
Ms. De La Cruz	X	—	—				
Mrs. Houchin	X	—	—				
Mr. Ogles	X	—	—				

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.J. Res. 125 is to rescind the Board of Governors of the Federal Reserve System's rule relating to "Principles for Climate-Related Financial Risk Management for Large Financial Institutions."

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

At a Glance			
Financial Services Legislation			
As ordered reported by the House Committee on Financial Services on April 17, 2024			
On April 17, 2024, the House Committee on Financial Services ordered reported seven bills and six joint resolutions. This document provides estimates for three of those resolutions, each of which would void the same final rule related to financial risk management guidance.			
- H.J. Res. 124, a joint resolution providing for Congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Office of the Comptroller of the Currency relating to "Principles for Climate-Related Financial Risk Management for Large Institutions" - H.J. Res. 125, a joint resolution providing for Congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Board of Governors of the Federal Reserve System relating to "Principles for Climate-Related Financial Risk Management for Large Institutions" - H.J. Res. 126, a joint resolution providing for Congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Federal Deposit Insurance Corporation relating to "Principles for Climate-Related Financial Risk Management for Large Institutions"			
CBO has made the following determinations for those resolutions:			
- All three resolutions would have an insignificant effect on direct spending or revenues; thus, pay-as-you-go procedures apply - None of the resolutions would affect spending subject to appropriation - None of the resolutions would increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2035 - None of the resolutions would impose intergovernmental or private-sector mandates			
Details of the estimated costs of each bill are discussed in the text.			
Bill	Net Increase or Decrease (-) in the Deficit Over the 2024-2034 Period (Millions of Dollars)	Changes in Spending Subject to Appropriation Over the 2024-2029 Period (Outlays, Millions of Dollars)	Mandate Effects?
H.J. Res. 124	*	0	No
H.J. Res. 125	*	0	No
H.J. Res. 126	*	0	No
* = between zero and -\$500,000.			

Summary of legislation: On April 17, 2024, the House Committee on Financial Services ordered reported seven bills and six joint resolutions.

This document provides estimates for three of those joint resolutions: H.J. Res. 124, H.J. Res. 125, and H.J. Res. 126.

Each joint resolution would disapprove a rule published jointly in October 2023 by the Office of the Comptroller of the Currency (OCC), the Federal Reserve System, and the Federal Deposit Insurance Corporation (FDIC).¹ By invoking a legislative process established in the Congressional Review Act, each joint resolution would repeal the rule and prohibit each agency from issuing the same or any similar rule in the future.

The rule establishes principles for managing risks related to climate change that would apply to financial institutions with more than \$100 billion in total consolidated assets. The rule contains guidance related to those institutions' management, policies and procedures, data, reporting, and scenario analysis designed to help those institutions understand and manage various kinds of risks related to climate change.

Basis of estimate: CBO estimates that enacting any of the three resolutions—H.J. Res. 124, H.J. Res. 125, or H.J. Res. 126—would reduce administrative costs for the affected agencies by an insignificant amount. The OCC's and FDIC's operating costs are classified as direct spending. The OCC collects fees from financial institutions to offset its operating costs, which are recorded as offsetting receipts (that is, as reductions in direct spending). Costs incurred by the Federal Reserve reduce remittances to the Treasury, which are recorded in the budget as revenues.

The CBO staff contacts for this estimate are Julia Aman (for the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation) and Nathaniel Frentz (for the Federal Reserve). The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.

PHILLIP L. SWAGEL,
Director, Congressional Budget Office.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1973.

FEDERAL MANDATES STATEMENT

Pursuant to section 423 of the Unfunded Mandates Reform Act, the Committee adopts as its own the estimate of the Federal mandates prepared by the Director of the Congressional Budget Office.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

¹ Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation, "Principles for Climate-Related Financial Risk Management for Large Financial Institutions," Final Rule, 88 *Fed. Reg.* 74183 (October 30, 2023), <https://tinyurl.com/m68rxv5c>.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

This Joint Resolution disapproves the rule submitted by the Board of Governors of the Federal Reserve System relating to “Principles for Climate-Related Financial Risk Management for Large Financial Institutions” and asserts that such rule shall have no force or effect.

MINORITY VIEWS

We oppose H.J. Res. 125, as it is a Congressional Review Act resolution that would rescind the Board of Governors of the Federal Reserve System’s (Fed) portion of interagency guidance for large banks to better manage climate-related risks issued by the Fed, Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency’s (OCC) on October 24, 2023.¹

The climate crisis is worsening, with record-breaking heat, floods, storms, droughts, and wildfires hitting communities across the nation. In 2023, the U.S. experienced 28 separate weather and climate disasters that each cost at least \$1 billion.² Proponents of this bill deny these very real threats faced by Americans, even though many companies throughout the U.S., including large banks, already recognize the existence of climate-related financial risk. This is one of the three resolutions House Republicans are advancing that would eliminate sensible guidance containing steps large banks can take to ensure they have updated risk management systems that account for climate-related risks. Financial institutions are likely to be affected by both physical and transition risks linked to climate change. These interagency principles are designed to support existing efforts by large financial institutions with strengthening climate-related risk management.

Specifically, the interagency guidance provides the largest banks with more than \$100 billion in assets with a high-level framework for the safe and sound management of climate-related financial risk exposures. The interagency principles cover six areas: governance; policies, procedures, and limits; strategic planning; risk management; data, risk measurement, and reporting; and scenario analysis. It describes how large banks can address specific prudential risk areas, including credit, liquidity, other financial risks, operational, legal and compliance, and other non-financial risks; monitor and their ability to identify, measure, monitor, and control these risks can be a detriment to the institution’s safety and soundness. We would highlight that the principles contained in the guidance neither prohibit nor discourage large banks from providing banking services to customers of any specific class or type, as permitted by law or regulation.

The banking regulators interagency guidance is one step financial regulators are taking to better monitor and mitigate financial threats related to climate risk. President Biden issued Executive Order (EO) 14030 in May 2021 on climate-related financial risk.³ One section of EO 14030 directed the Treasury Secretary to work

¹Federal Reserve, *Joint Press Release: Agencies issue principles for climate-related financial risk management for large financial institutions* (Oct. 24, 2023).

²NOAA, *2023: A historic year of U.S. billion-dollar weather and climate disasters* (Jan. 8, 2024).

³White House, *Executive Order on Climate-Related Financial Risk* (May 20, 2021).

through the Financial Stability Oversight Council (FSOC) to assess and develop plans to mitigate systemic risks posed by climate-related financial risk. In October 2021, FSOC issued a report identifying climate change as an emerging and increasing threat to U.S. financial stability.⁴ The report identified four areas where it encourages FSOC members to act: building capacity and expertise, filling climate-related data and methodological gaps, enhancing climate-related disclosures, and assessing (in order to then mitigate) climate-related risks.⁵ This interagency guidance is responsive to FSOC's report, identifying ways the U.S. financial system should better monitor and mitigate climate-related financial risks. Since this bill is a CRA resolution that would rescind the October guidance, it would also prevent the Fed from issuing similar guidance in the future without further action by Congress. This would make it harder for regulators to promote the safety and soundness of banks, as well as financial stability.

Numerous groups also oppose this bill, including Americans for Financial Reform, Ceres, Earthjustice, Environmental Defense Fund, Public Citizen, Sierra Club, and Unlocking America's Future.

For these reasons, we oppose H.J. Res. 125.

Sincerely,

MAXINE WATERS,
Ranking Member.
 NYDIA M. VELÁZQUEZ,
 BRAD SHERMAN,
 GREGORY W. MEEKS,
 DAVID SCOTT,
 STEPHEN F. LYNCH,
 AL GREEN,
 EMANUEL CLEAVER II,
 JIM HIMES,
 BILL FOSTER,
 JOYCE BEATTY,
 JUAN VARGAS,
 SEAN CASTEN,
 AYANNA PRESSLEY,
 RASHIDA TLAIB,
 SYLVIA R. GARCIA,
 NIKEMA WILLIAMS,
Members of Congress.

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⁴Treasury, *FSOC Report on Climate-Related Financial Risk* (Oct. 2021).

⁵*Ibid.*