

U.S. DEPARTMENT OF THE TREASURY

Financial Stability Oversight Council Releases 2021 Annual Report



December 17, 2021

WASHINGTON – The Financial Stability Oversight Council (Council) today unanimously approved its 2021 annual report. This year’s report describes activities of the Council over the past year, as the U.S. economy has continued to rebound from the disruptions caused by the COVID-19 pandemic. Monetary and fiscal policy, substantial progress in vaccinations, and broadly accommodative financing conditions have together supported this recovery and bolstered the financial condition of households and businesses. Additionally, the Council’s annual report describes significant financial market and regulatory developments, potential emerging threats to U.S. financial stability, and recommendations to promote U.S. financial stability. The report was developed collaboratively by members of the Council and their agencies and staffs.


“The Financial Stability Oversight Council’s annual report analyzes past episodes of financial turmoil to understand weak points in our financial system. It also reviews the actions taken by the Council to strengthen our financial system, with one eye on the past and one on the future,” Secretary of the Treasury Janet L. Yellen said. “In the coming year, the Council will continue to monitor threats to financial stability and take concrete action where appropriate.”

The Council’s recommendations in the annual report include the following, among others:

- *Climate-related Financial Risk*: The Council recognizes the critical importance of taking prompt action to improve the availability of data and measurement tools, enhance assessments of climate-related financial risks and vulnerabilities, and incorporate climate-related risks into risk management practices and supervisory expectations for regulated entities, where appropriate. In addition, financial regulators, consistent with their mandates and authorities, should promote consistent, comparable, and decision-useful disclosures that allow investors and financial institutions to take climate-related financial risks into account in their investment and lending decisions. Through these actions,

financial regulators can both promote financial-sector resilience and help the financial system support an orderly economy-wide transition to net-zero emissions.

- *Digital Assets*: The Council recommends that federal and state regulators continue to examine risks to the financial system posed by new and emerging uses of digital assets and coordinate to address potential issues that arise from digital assets. The Council recommends that member agencies consider the recommendations in the Report on Stablecoins published by the President's Working Group on Financial Markets, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency on November 1, 2021 (PWG Report). The Council will further assess and monitor the potential risks of stablecoins and recommends that its members consider appropriate actions within each member's jurisdiction to address those risks while continuing to coordinate and collaborate on issues of common interest. The Council will also be prepared to consider steps available to it to address risks outlined in the PWG Report in the event comprehensive legislation is not enacted.
- *LIBOR Transition*: Market participants should act with urgency to address their existing LIBOR exposures and transition to robust and sustainable alternative rates. The Council commends the efforts of the Alternative Reference Rates Committee and recommends that it continue to facilitate an orderly transition to alternative reference rates. Member agencies should determine whether regulatory relief is necessary to encourage market participants to address legacy LIBOR portfolios. Member agencies should also continue to use their supervisory authority to understand the status of regulated entities' transition from LIBOR, including their legacy LIBOR exposure and plans to address that exposure.
- *Cybersecurity*: The Council recommends that federal and state agencies continue to monitor cybersecurity risks and conduct cybersecurity examinations of financial institutions and financial infrastructures to ensure, among other things, robust and comprehensive cybersecurity monitoring, especially in light of new risks posed by the pandemic, ransomware incidents, and supply chain attacks.

View the full report.  [Secretary Yellen's remarks on the report during the open session can be found here.](#)

####

