

119TH CONGRESS
2D SESSION

S. _____

To amend the Bank Holding Company Act of 1956 and the Financial Stability Act of 2010 to require a reduction of financial sector emissions to protect financial stability, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. MARKEY (for himself, Mr. MERKLEY, Mr. SANDERS, and Ms. WARREN) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Bank Holding Company Act of 1956 and the Financial Stability Act of 2010 to require a reduction of financial sector emissions to protect financial stability, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Fossil Free Finance
5 Act of 2026”.

1 **SEC. 2. ALIGNMENT OF FINANCIAL SECTOR EMISSIONS**
2 **WITH SCIENCE-BASED TARGETS.**

3 The Bank Holding Company Act of 1956 (12 U.S.C.
4 1841 et seq.) is amended by adding at the end the fol-
5 lowing:

6 **“SEC. 15. ALIGNMENT OF FINANCIAL SECTOR EMISSIONS**
7 **WITH SCIENCE-BASED TARGETS.**

8 “(a) DEFINITIONS.—In this section:

9 “(1) CARBON OFFSETS.—The term ‘carbon off-
10 sets’ means an emissions reduction or removal of
11 greenhouse gases in a manner calculated and traced
12 for the purpose of offsetting an entity’s greenhouse
13 gas emissions.

14 “(2) COVERED BANK HOLDING COMPANY.—The
15 term ‘covered bank holding company’ means a bank
16 holding company with total consolidated assets not
17 less than \$50,000,000,000.

18 “(3) DEFORESTATION RISK COMMODITIES.—
19 The term ‘deforestation risk commodities’ means
20 globally traded goods and raw materials—

21 “(A) that originate from natural forest
22 ecosystems—

23 “(i) directly from within forest areas;

24 or

25 “(ii) from areas previously under for-
26 est cover; and

1 “(B) the extraction or production of which
2 contributes significantly to the conversion of
3 natural forest to agriculture, tree plantation, or
4 other nonforest land use.

5 “(4) FINANCIAL SECTOR EMISSIONS.—The term
6 ‘financial sector emissions’ means, with respect to a
7 covered bank holding company, and any nonbank fi-
8 nancial company supervised by the Board in accord-
9 ance with section 113 of the Financial Stability Act
10 of 2010 (12 U.S.C. 5323), the greenhouse gas emis-
11 sions of such company, expressed in metric tons of
12 carbon dioxide equivalent, attributable to investment
13 in, or the providing of financial services to, another
14 company or project of another company, including
15 the following:

16 “(A) FINANCED EMISSIONS.—Emissions
17 from financing activities, including—

18 “(i) on-balance sheet listed and un-
19 listed corporate bonds and on-balance
20 sheet listed equity that are traded on a
21 market and are for general corporate pur-
22 poses;

23 “(ii) business loans and equity invest-
24 ments in private companies;

1 “(iii) project finance and investment
2 such as on-balance sheet loans or equities
3 to projects or activities that are designated
4 for specific purposes;

5 “(iv) securitized and structured prod-
6 ucts that are backed by identifiable loans,
7 leases, or other income-generating assets;

8 “(v) sovereign bonds and loans issued
9 in domestic or foreign currencies; and

10 “(vi) sub-sovereign bonds and loans
11 issued by public authorities below the na-
12 tional level such as states, provinces, re-
13 gions, cities, or municipalities, in either do-
14 mestic or foreign currency.

15 “(B) FACILITATED EMISSIONS.—Emis-
16 sions from facilitating activities, including the
17 following:

18 “(i) Facilitated new issuance of public
19 debt, including all types of bonds issued
20 for general purposes.

21 “(ii) Facilitated new issuance of pub-
22 lic equity, including common stock (such
23 as initial public offerings and follow-on
24 issuances) and preferred shares.

1 “(iii) Facilitated equity investments in
2 private companies (including private place-
3 ments).

4 “(iv) Facilitated debt investments in
5 private companies (including private cred-
6 it).

7 “(v) A loan made available by 2 or
8 more providers under a common loan
9 agreement.

10 “(5) FOSSIL FUEL FACILITATION.—The term
11 ‘fossil fuel facilitation’ means, with respect to a cov-
12 ered bank holding company, facilitating the invest-
13 ment in—

14 “(A) a company that derives not less than
15 15 percent revenue from exploration, extraction,
16 processing, exporting, transporting, and any
17 other significant action with respect to oil, nat-
18 ural gas, coal, or any byproduct thereof; or

19 “(B) a fossil fuel project.

20 “(6) FOSSIL FUEL FINANCING.—The term ‘fos-
21 sil fuel financing’ means, with respect to a covered
22 bank holding company, investment in—

23 “(A) a company that derives not less than
24 15 percent revenue from exploration, extraction,
25 processing, exporting, transporting, and any

1 other significant action with respect to oil, nat-
2 ural gas, coal, or any byproduct thereof; or

3 “(B) a fossil fuel project.

4 “(7) FOSSIL FUEL PROJECT.—The term ‘fossil
5 fuel project’ means a project intended to—

6 “(A) facilitate or expand exploration, ex-
7 traction, processing, exporting, transporting, or
8 any other significant action with respect to oil,
9 natural gas, coal; or

10 “(B) construct any infrastructure related
11 to the activities described in subparagraph (A),
12 such as wells, pipelines, terminals, refineries, or
13 utility-sale generation facilities.

14 “(8) GREENHOUSE GAS.—The term ‘greenhouse
15 gas’ means carbon dioxide, methane, nitrous oxide,
16 nitrogen trifluoride, hydrofluorocarbons,
17 perfluorocarbons, and sulfur hexafluoride.

18 “(9) NATURAL FOREST.—The term ‘natural
19 forest’ means a natural arboreal ecosystem that—

20 “(A) has a species composition a signifi-
21 cant percentage of which is native species; and

22 “(B) contains a tree canopy cover of more
23 than 10 percent over an area of not less than
24 0.5 hectares.

1 “(10) NEW OR EXPANDED FOSSIL FUEL
2 PROJECT.—The term ‘new or expanded fossil fuel
3 project’ means a fossil fuel project that would in-
4 crease the—

5 “(A) level of proven or developable oil, nat-
6 ural gas, or coal reserves;

7 “(B) midstream throughput of pipelines,
8 terminals, or refineries; or

9 “(C) combustion of oil, natural gas, or coal
10 for utility-scale electricity generation.

11 “(b) REQUIREMENTS.—Not later than 210 days after
12 the date of enactment of this section, and not less than
13 once every 2 years thereafter, a covered bank holding com-
14 pany shall—

15 “(1) submit to the Board an emission reduction
16 plan for reducing emissions in accordance with this
17 section; and

18 “(2) if the plan is accepted under subsection
19 (d), implement such plan.

20 “(c) ELEMENTS OF PLAN.—Each plan required
21 under subsection (b)(1)—

22 “(1) shall include—

23 “(A) a selection of an emissions baseline
24 year that is not later than 2 years after the
25 date of enactment of this section;

1 “(B) a plan for the covered bank holding
2 company to reach zero financial sector emis-
3 sions not later than January 1, 2050;

4 “(C) a plan to reduce the financial sector
5 emissions of the bank holding company by 50
6 percent below the emissions baseline year not
7 later than January 1, 2035;

8 “(D) a plan to discontinue new or ex-
9 panded fossil fuel projects not later than 60
10 days after the date of enactment of this section;

11 “(E) a plan for the covered bank holding
12 company to immediately discontinue thermal
13 coal financing and facilitation.;

14 “(F) a plan for the covered bank holding
15 company to discontinue all fossil fuel financing
16 and facilitation not later than January 1, 2035;

17 “(G) a plan for the covered bank holding
18 company to eliminate financing and facilitation
19 of deforestation risk commodities; and

20 “(H) such other requirements as the
21 Board determines is necessary to protect the fi-
22 nancial stability of the United States;

23 “(2) may not include carbon offsets;

24 “(3) may include proven negative carbon emis-
25 sion technologies to meet the requirements under

1 paragraph (1)(A) if the technologies do not nega-
2 tively impact low-income, minority, or indigenous
3 communities;

4 “(4) shall prioritize—

5 “(A) the covered bank holding company
6 withdrawing funding from companies and
7 projects that have a disproportionately negative
8 impact on the health and well-being of low-in-
9 come and minority communities;

10 “(B) lending to companies for purposes of
11 carrying out severance, retraining, and other
12 benefits to workers impacted by the transition
13 to zero financial sector emissions; and

14 “(C) enhanced due diligence about the im-
15 pacts of financing on biodiversity and commu-
16 nity and the framework of the client for and
17 track record in—

18 “(i) managing greenhouse gas and
19 other emissions; and

20 “(ii) compliance with regulations and
21 international standards.

22 “(d) CONSIDERATION OF PLAN.—Not later than 180
23 days after the date on which the Board receives a plan
24 submitted under subsection (b)(1), the Board shall—

25 “(1) accept the plan; or

1 “(2)(A) reject the plan if the plan does not
2 align with science-based targets without the use of
3 offsets or unproven carbon emission reduction tech-
4 nologies; and

5 “(B) require the covered bank holding
6 company to revise such plan in accordance with
7 the suggestions of the Board.

8 “(e) PENALTIES.—If a covered bank holding com-
9 pany does not submit a plan in accordance with this sec-
10 tion or meet the requirements set out in such a plan—

11 “(1) the Board shall—

12 “(A) apply the penalties under section 8
13 under regulations prescribed by the Board;

14 “(B) require divestiture of assets in order
15 to bring the financial sector emissions of a cov-
16 ered bank holding company into compliance
17 with the requirements set out in such a plan;
18 and

19 “(C) notify the Board of Directors of the
20 Federal Deposit Insurance Corporation of the
21 noncompliance of the covered bank holding
22 company; and

23 “(2) the Board of Directors of the Federal De-
24 posit Insurance Corporation may, with respect to
25 any covered bank holding company described in

1 paragraph (1)(C) or a subsidiary of the bank hold-
2 ing company that contributes to the failure of the
3 covered bank holding company to comply with this
4 section—

5 “(A) terminate the insured status of the
6 insured depository institution of which the bank
7 holding company has control under section
8 8(a)(2) of the Federal Deposit Insurance Act
9 (12 U.S.C. 1818(a)(2)); and

10 “(B) carry out any other corrective action
11 available under section 38 of the Federal De-
12 posit Insurance Act (12 U.S.C. 1831o) for the
13 insured depository institution of which the bank
14 holding company has control under section
15 8(a)(2) of the Federal Deposit Insurance Act
16 (12 U.S.C. 1818(a)(2)).

17 “(f) REGULATIONS.—Not later than 180 days after
18 the date of enactment of this section, the Board shall issue
19 regulations establishing the format and timing for submis-
20 sion of the plans required under this section.”.

21 **SEC. 3. CONTRIBUTION TO CLIMATE CHANGE INCLUDED IN**
22 **FSOC DESIGNATION.**

23 (a) AUTHORITY TO REQUIRE SUPERVISION AND REG-
24 ULATION OF CERTAIN NONBANK FINANCIAL COMPA-

1 NIES.—Section 113 of the Financial Stability Act of 2010
2 (12 U.S.C. 5323) is amended—

3 (1) in subsection (a)(2)—

4 (A) in subparagraph (J), by striking “and”
5 at the end;

6 (B) by redesignating subparagraph (K) as
7 subparagraph (L); and

8 (C) by inserting after subparagraph (J)
9 the following:

10 “(K) the extent to which the company
11 makes a nontrivial contribution to the financial
12 sector emissions, as defined in section 15 of the
13 Bank Holding Company Act of 1956, of the fi-
14 nancial system of the United States; and”; and
15 (2) in subsection (b)(2)—

16 (A) in subparagraph (J), by striking “and”
17 at the end;

18 (B) by redesignating subparagraph (K) as
19 subparagraph (L); and

20 (C) by inserting after subparagraph (J)
21 the following:

22 “(K) the extent to which the company
23 makes a nontrivial contribution to the financial
24 sector emissions, as defined in section 15 of the

1 Bank Holding Company Act of 1956, of the fi-
2 nancial system of the United States; and”.

3 (b) ENHANCED SUPERVISION AND PRUDENTIAL
4 STANDARDS FOR NONBANK FINANCIAL COMPANIES SU-
5 PERVISED BY THE BOARD OF GOVERNORS AND CERTAIN
6 BANK HOLDING COMPANIES.—

7 (1) DEVELOPMENT OF PRUDENTIAL STAND-
8 ARDS.—Section 115(b)(1) of the Financial Stability
9 Act of 2010 (12 U.S.C. 5325(b)(1)) is amended—

10 (A) in subparagraph (H), by striking
11 “and”;

12 (B) in subparagraph (I), by striking the
13 period at the end and inserting “; and”; and

14 (C) by adding at the end the following:

15 “(J) divestiture of financial sector emis-
16 sions, as defined in section 15 of the Bank
17 Holding Company Act of 1956.”.

18 (2) REQUIRED STANDARDS.—Section
19 165(b)(1)(A) of the Financial Stability Act of 2010
20 (12 U.S.C. 5365(b)(1)(A)) is amended—

21 (A) in clause (iv), by striking “and” at the
22 end;

23 (B) in clause (v), by striking the period
24 and inserting “; and”; and

25 (C) by adding at the end the following:

1 “(vi) emissions reduction plans in ac-
2 cordance with section 15 of the Bank
3 Holding Company Act of 1956.”.

4 **SEC. 4. REPORTS.**

5 (a) DEFINITIONS.—In this section:

6 (1) COVERED BANK HOLDING COMPANY; FINAN-
7 CIAL SECTOR EMISSIONS.—The terms “covered bank
8 holding company” and “financial sector emissions”
9 have the meanings given the terms in section 15 of
10 the Bank Holding Company Act of 1956, as added
11 by section 2 of this Act.

12 (2) SCIENCE-BASED EMISSIONS TARGETS.—The
13 term “science-based emissions targets” means reduc-
14 tion in greenhouse gas emissions consistent with pre-
15 venting an increase in global average temperature of
16 not less than 1.5 degrees Celsius compared to pre-
17 industrial levels.

18 (b) INITIAL REPORT.—Not later than 180 days after
19 the date of enactment of this Act, the Board of Governors
20 of the Federal Reserve System shall submit to Congress
21 a report that—

22 (1) identifies the current level of financial sec-
23 tor emissions in the financial system of the United
24 States;

1 (2) includes an analysis of trends in financial
2 sector emissions reductions;

3 (3) includes a summary of the commitments of
4 covered bank holding companies to reduce financial
5 sector emissions;

6 (4) estimates the financial sector emissions in
7 the financial system of the United States needed to
8 meet science-based emissions targets;

9 (5) identifies regulatory gaps in reducing finan-
10 cial sector emissions that cannot be addressed with
11 authorities of the Board and recommendations for
12 addressing such gaps;

13 (6) identifies data quality challenges for assess-
14 ing financial sector emissions and recommendations
15 to address those challenges;

16 (7) identifies the equitable transition needs for
17 workers and communities that will be impacted by a
18 shift to a zero financial sector emissions economy;

19 (8) analyzes—

20 (A) the number and groups of people af-
21 fected by a transition to zero financial sector
22 emissions; and

23 (B) the economic impact of such a transi-
24 tion with respect to such groups; and

1 (9) identifies regulatory and legislative options
2 for mitigating the economic impacts described in
3 paragraph (8)(B), including—

4 (A) the use of existing authorities, includ-
5 ing the Community Reinvestment Act of 1977
6 (12 U.S.C. 2901 et seq.) and emergency lend-
7 ing powers under section 13 of the Federal Re-
8 serve Act (12 U.S.C. 342); and

9 (B) the establishment of a public invest-
10 ment bank to finance investment in an equi-
11 table transition to a zero financial sector emis-
12 sions economy.

13 (c) PERIODIC REPORT.—Not later than 180 days
14 after the date of enactment of this Act, and not less than
15 once every 2 years thereafter, the Board of Governors of
16 the Federal Reserve System shall submit to Congress a
17 report that includes—

18 (1) an analysis of the progress against aligning
19 with financial sector emissions targets;

20 (2) the estimates described in subsection (b)(4);

21 (3) an analysis of the progress made in the pre-
22 ceding 2 years toward an equitable transition to a
23 zero financial sector emissions economy; and

24 (4) recommendations with respect to assistance
25 Congress and Federal agencies may provide to—

1 (A) facilitate a reduction of financial sector
2 emissions; and

3 (B) support an equitable transition to a
4 zero financial sector emissions economy.

5 (d) COLLECTION OF DATA.—The Board of Governors
6 of the Federal Reserve System shall collect such data as
7 needed from bank holding companies to carry out the re-
8 ports required under this section.