FUNDGUARD

May 19, 2022

Vanessa Countryman, Secretary

Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549-0609

Re: File No: S7-10-22, The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Secretary:

We welcome this opportunity to comment on the Security and Exchange Commission's Proposed Rules to Enhance and Standardize Climate-Related Disclosures for Investors (File No: S7-10-22). There is no doubt that this is a critical and urgent matter, and that improved and standardized disclosures will go a long way towards supporting investors' decision-making with consistent, reliable and clear information.

However, we would urge the Commission to widen its view from a focus on disclosure after the fact, to the consideration of real preventative measures at a systemic level. This will better assist the protection of investors both today and in the future and will set the scene for genuinely future-ready thinking that goes beyond extending what has worked in the past. The fact of the matter is that the fundamental and dramatic shifts taking place in the world today, very often driven by digital technology, mean that collectively we need to be creative about tackling disconnects and challenges that exist in the bedrock of the systems we use to do business. Anything less and we risk that any efforts to protect investors from climate change, and other modern-day threats, amount to little more than shutting the stable door once the horse has bolted.

Practically, this means going beyond a policy, procedure and disclosure solution. Adding a few paragraphs to business continuity plans (BCP) and footnotes to regulatory reports about safeguards against climate change is not good enough.

What is more important is how back-office systems respond when there is an event. Just within our own area of expertise for example, the mutual fund/ETF accounting systems are a significant weak point. The three major fund accounting systems that account for $24 trillion in assets owned by 100 million

NYC 54 W. 40th Street, New York, NY 10018, USA +1 617-834-3677

TLV One Azrieli Center, Square Tower, Tel Aviv 6701101, Israel +972-50-5656-158

info@fundguard.com

www.fundguard.com

shareholders are all three to four decades old. Because they pre-date the cloud, they have effectively reached the end of their life in terms of being able to be easily and cost-effectively updated to match client requirements (e.g., for digital currencies and other emerging asset classes) or for essential upgrades, such as fully redundant contingent NAVs that avoid any downtime and gaps in reporting. In the case of business failure, without a contingent NAV, no amount of policy enhancements will enact real protection for investors.

For a deeper dive into this issue in the context of fund accounting systems, this article refers.

This applies equally to climate change risks, broader ESG considerations, and, indeed, another modern risk category also important to the Commission: cybersecurity (file no: S7-04-22). Here too, thinking needs to build on the work done to bolster policies, procedures and disclosure, and focus on ensuring the investment industry's resilience is built into its systems. Again, systems that are decades old and pre-date the cloud revolution, are unlikely to ever adequately protect investors and maintain orderly markets because they cannot easily or cost-effectively be updated to meet today's requirements.

The investment industry is at a critical crossroad. Given the rapid progress of digital technology, there is a gaping disconnect with what has gone before. Progress is no longer iterative and evolutionary – the tectonic plates are shifting. Unless risk is viewed from a systemic and preventative point of view, investor protection will be little more than a box ticking, band-aid practice. As we collectively face up to some of the most existential challenges experienced by humanity, the custodians of wealth have a responsibility to ensure that wealth is both sustainable and future-ready, by addressing risk at its foundation.

Sincerely,

/s/ FundGuard

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