New York, NY
June 16, 2022

Ms. Vanessa Countryman, Secretary
Securities and Exchange Commission ("SEC")
100 F Street, N.E.
Washington, D.C. 20549
Via email to: rule-comments@sec.gov

Re: File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (the "Proposed Regulation")

Dear Ms. Countryman:

I write to add to the legal record supporting the Proposed Regulation, essentially resubmitting comments that I previously composed in response to the SEC's 2021 Request For Comment On Climate Change Disclosure – as to my understanding such comments would not automatically be part of the legal record for this Proposed Regulation. As I wrote then, as an investor and a citizen, I support the SEC prescribing consistent, comparable, reliable and mandatory disclosure of climate-related information.

I was privileged to work with the Financial Crisis Inquiry Commission (FCIC), following 15 years on Wall Street including as a Senior Managing Director at Bear Stearns in Strategic Finance, that succeeded prior public service as Chief Counsel and Staff Director of the Consumer & Regulatory Affairs Subcommittee of the Senate Banking Committee during the "thrift crisis." In recent years I have been active with a handful of impact investing related organizations and have assisted several in submitting comment letters drawing upon their research and experience. Nonetheless, it is the lessons from the FCIC's investigation of the causes of Financial Crisis that I seek to add to the record in support of the SEC's authority to promulgate the Proposed Regulations, a regulation that furthers its mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

Lessons from the Financial Crisis provide resonant and disquieting insights into the compelling need for the SEC to mandate consistent, comparable and reliable climate-related disclosures of public companies, as well as large private companies, as climate change is a systemic risk to financial markets.

Historically, financial regulators have focused on the risks taken by individual financial institutions and markets but not on systemic risks. With the Financial Crisis, Washington belatedly realized regulators must focus on risks to the financial *system* and, among other ameliorative steps, created the Financial Stability Oversight Council (FSOC) so that each participating financial regulator, including the SEC, could do its part to monitor and prevent systemic risk. Among the neglected systemic risks that caused the Financial Crisis, all of which have eerie parallels to our current situation, were: flawed data collection and analysis within (mortgage) markets; inadequate information collected by financial regulators; non-historical change to (housing) prices; sudden widespread and steep downgrades of securities by credit rating agencies from a belated recognition of flawed assumptions; excess system-wide leverage; and, counterparty risks (through derivatives markets, as well as third-party repo) -- to name a few. Could physical and transition climate change cause: sudden, non-historical changes to asset prices; steep changes in the valuations of companies; the realization that currently collected climate data is riddled with inconsistent definitions and methodologies so that risk analyses are flawed; shocks from unsuspected and inadequately understood counterparty risks; financial institutions thus finding they have inadequate capital to withstand losses? Yes, and more likely so than not, should the Proposed Regulation be swept away by an ill-considered litigation challenge. Indeed, how will the SEC effectively fulfill its statutory responsibilities within the FSOC to address systemic risks, without mandating such system wide information? Indeed, as the 2021 FSOC Report on Climate-Related Financial Risk presages, the Proposed Regulation fits precisely into the work that the SEC must undertake.[1]

Those who currently argue that mandatory corporate disclosures should be limited only to those that will have a short-term impact on the financial results of the particular firms[2] are failing to learn this lesson of recent history. Climate change clearly is a systemic *risk* to our economy and to our financial system[3]. If the only

[1] Report on Climate-Related Financial Risk, Financial Stability Oversight Council (2021). https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf

[2] Such arguments also misread the authority of the SEC, which is *not* so limited.

[3] I would also submit that inequality – with its related neglect of human capital development and inadequate diversity within our corporations – is an emerging systemic risk, although manifesting differently than climate change. The SEC would enhance understanding and risk management by issuing mandatory human capital and board diversity disclosure regulations.

information available to the SEC and to investors is the voluntary, cherry-picked, non-assured, non-comparable information available today, systemic risks will be inadequately considered and avoided. Indeed, investors will not be protected, markets will not remain orderly and capital formation will not be facilitated unless the SEC acts – as it has with the Proposed Regulation.

Of course, disclosures impose costs on corporations so that mindfulness of efficiency is warranted. The Proposed Regulation with its phasing-in of requirements, safe harbor for Scope 3 disclosures, and lesser requirements on smaller companies seems to strike an appropriate balance. In calculating costs and benefits of the Proposed Regulation, avoiding misallocations of capital and damage from externalities would appear to dwarf costs from corporate compliance.

In signing this letter, I am *not* representing either (historical) organization below; rather my views are informed by my experience with each and I seek to distinguish this letter from my other roles within the financial services industry.

Most sincerely,

Kim Leslie Shafer

Former Senior Research Consultant, Financial Crisis Inquiry Commission
Former Senior Managing Director, Bear Stearns

cc: Chair Gary Gensler
Commissioner Allison Herren Lee
Commissioner Caroline A. Crenshaw
Commissioner Hester M Peirce
Renee Jones, Director of the Division of Corporate Finance