Dear Commission,

The proposal to amend the rules and forms of the Investment Advisers Act 1940 and the Investment Company Act of 1940 ('40 ACT) to provide additional information regarding ESGs should not be implemented.

The growth of climate related securities has caused much confusion within the investment community. It is understood that many ESG investors feel there is a lack of comparable, consistent, and reliable information regarding ESG implementation, strategy, and investment approach, however the lack of guidance from different business centered governing boards, the data challenges associated with this proposal, and lack of focus within the financial presentation of assets do not make it ideal from a cost-benefit and governing perspective, to implement this proposal.

In your proposal you were unable to provide a rough estimate of the cost, however you mentioned that it would be high. I assume one of the reasons would be that FASB codification would have to be amended as well. A complaint from the asset manager perspective is that there is a lack of accounting guidance on measuring and reporting GHG emissions. FASB code ASC-946-205 provides no guidance on specific measurements of any climate related disclosures. ASC 450 – "Contingencies" does provide guidance to management on accounting for and disclosing for contingencies. ASC – 350 "Long-lived Asset Impairment" also has some related implication to the impacts that climate change on companies, specifically the effects of fines and

penalties for not complying with laws and regulations. Topic ASC 946-205: Investment Companies also has no guidance on measuring the criteria proposed by the Commission. Needless to say, asset management firms and businesses have no direction implementing ESG disclosures and measurements if they were required to abide by the amendments in this proposal.

The interpretation of FASB is that climate related disclosures should be placed upon the organization to disclose, not an asset management firm. If this proposal was accepted, FASB would have to amend their code and organizations would need to develop new teams which would monitor any climate-related changes, risks, strategies, metrics, and targets. This would be detrimental to stakeholders who do not have interest in ESG investments as numerous costs would increase, particularly in research and development, consulting fees, and wages/salaries. The increased costs would be balanced by charging investors a higher premium for the regulated ESGs whether that be through management fees or a percentage of investor earnings.

The next major issue associated with this proposal is the data challenges associated with ESG disclosures. This proposal is placing the entirety of the burden on asset management firms. Disclosing the specific ESG criteria used by asset management firms is a step in the right direction. The complexity of quantitively assessing GHG emissions associated with securities is incredibility difficult from an asset management perspective. Measuring indirect and direct effects of a pollution spill requires extensive research and resources from an asset management firm. Assessing securities' social and governmental impact is also difficult to quantify. Social and Governance criteria are measured on health, safety, conditions, diversity, ethical standards,

governance diversity and other factors are currently deemed subjective. This proposal is meant to change these various issues however businesses have other alternatives to do so. If a company truly cares about their ESG rating, then they should incorporate these alternatives into their business reporting function rather than have it mandated by the Commission.

The Task Force on Climate-Related Financial Disclosures (TCFD) is an alternative businesses can use to measure/quantify their ESG rating. TCFD has recommendation for companies regarding the issues presented above however that entity has a distinct affiliation from the commission. TCFD also provides **recommendation** regarding the disclosure of climate risks and opportunities. Implementing SEC guidance based on that report is entering into principles and standards the SEC should have no interest in. Research regarding climate relating information on companies should be done by the investor themselves or as mentioned previously, by the organization itself.

The Investment Company Act of 1940 and the Investment Advisor Act of 1940 regulate funds and advisors who sell securities or assets to the investing public. Most of the companies in many funds regulated by the '40 ACT are publicly traded so investors have the option through EDGAR and other government databases to research companies themselves. The SEC should not be forced to serve an investment niche especially since most funds aren't designed to meet a moral compass, they are designed to meet the financial goals of investors. The popularity of S&P 500 funds as well as Vanguard are examples that majority of investors want financial results caused by a free market, not caused "progressive" ideology. The U.S. Federal government would

receive more success in incentivizing all companies to be more environmental through tax reliefs or government grant programs. Funds and advisors need to focus on the financial aspect of funds instead of the morality of funds.

Investments are financial tools to grow the wealth of an individual. Investors rely on reports from their funds to assess financial performance of their assets. By focusing on the environmentalism, funds will push investment-grade reporting from an ESG perspective. Funds will no longer be advertising the earning potential of their assets but rather an ESG reporting strategy. This only serves very niche investors whose moral high ground outweighs their wealth growth strategies. This could lead to lack of popularity and profitability. Funds who focus on maximum returns through their traditional asset management operations will be more popular due to most investors looking for growth and returns in their investment. If morality was a main attraction for investors the top private equity firms, hedge funds, and mutual funds would not be at the level they are at. Investors want financial results; focusing on the ethics of company's ESG performance will eventually lead to funds focusing more on the external impact rather than the financial impact.

The investing public has some responsibility in informing themselves on their all their investments whether it be real estate, ETFs mutual funds, etc. While the concept of ESG disclosure would benefit some investors, ESG is still a niche and the cost of implementing this proposal does not outweigh the cost. I propose that the Commission focus more on the financial aspect of mutual fund investments rather than focusing on the information regarding niche ESG investments strategies.

Thank you,

Hernan Dominguez