

4/12/2022

Ms. Vanessa Countryman
Secretary
US Securities and Exchange Commission
100 F Suite NE
Washington DC 20549-1090
VIA EMAIL

RE: S7-10-22 The Enhancement and Standardization of Climate-Related Disclosures for Investors

Ms. Countryman,

I write on behalf of Modern Networks IR LLC (trade name ModernIR) in response to the request for public comment on the Commission's plan to mandate climate-disclosure reporting for public companies.

ModernIR is the US investor-relations profession's market-structure experts and the largest provider of quantitative data on the behavior of money behind issuer prices and volume.

We commented when the acting SEC chair last year first asked for public input. I incorporate those comments by reference here: <https://www.sec.gov/comments/climate-disclosure/cll12-8914443-244723.pdf>

We are opposed to these mandates because no legislation authorized executive-branch action and no Constitutional authority exists for Congress to direct the Commission to impose mandates – which it has not attempted.

Legality should always be the first consideration for the Commission. I realize we have a societal propensity now to treat law as subordinate to ideas. But it's an unhealthy and unconstructive way to operate a republic. And it's illegal.

I'll observe again as I did before that these efforts reflect what Alexander Hamilton called in Federalist 78 a momentary inclination laying hold of the majority. He counseled that no popular impulse warranted departure from the law unless or until the people amended the Constitution – which didn't yet then exist.

Bottom line: No law directed the Commission to implement climate-disclosures. It has no authority to impose them.

Second, these regulations discriminate against issuers generally and natural-resources producers specifically, both of which are entitled to equal protection under law. A considerable financial burden is imposed by regulation that isn't uniformly applied to market participants as the Securities Act requires.

Third, and practically speaking, there is no climate-disclosure standard, nationally or globally. Yet issuers have adapted to public calls for data through voluntary ESG reporting. How would imposing a standard advance the interests of free, fair and open markets as the law regulating the Commission requires?

What's more, the standards that do exist reflect copious qualitative work on the part of issuers, which supply data to investors, which use the data quantitatively for creating Exchange Traded Funds and macroeconomic trading models. Why should issuers bear the cost and the burden of creating intellectual property for traders to exploit?

In that vein, there is a cognitive disconnect in the stock market between the amount of information public companies provide to the investing public and market form and function. Our behavioral measures show the US stock market's volume is now more than 90% motivated by something other than rational thought.

Market rules promote a continuous auction at the expense of investment, and force prices toward the mean through the connected data network called the National Market System and Rule 611 mandating protected quotes. In context of these rules, Climate Disclosures become another tool for diminishing the audience public companies seek: Active stock-pickers.

Already the share of investment assets managed by stock-pickers is down by 50% the past two decades (data from the Investment Company Institute and Morningstar show) and continuing to decline, because rules favor Passives tracking mean prices. Before imposing further disclosures on issuers, rectify the asymmetries that disadvantage this core issuer audience. Else, burdens are counterproductive for issuers.

In summary, these regulations are illegal. They discriminate against issuers. They attempt to impose a standard where none exists. And they're illogical, promoting quantitative trading at a high qualitative and financial cost for issuers.

Please stop harming issuers. And please adhere to the laws of the United States (we shouldn't have to ask!).

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Quast', written in a cursive style.

Tim Quast
President and founder