



**VIA ELECTRONIC SUBMISSION**

Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090  
rule-comments@sec.gov

June 6, 2022

**Re: Proposed Rule regarding “The Enhancement and Standardization of Climate Related Disclosures for Investors” (File No. S7-10-22)**

Dear Ms. Countryman:

On behalf of the 11 Federal Home Loan Banks (the “FHLBanks”) and the Federal Home Loan Banks Office of Finance (collectively with the FHLBanks, the “FHLBank System” and “we”), we appreciate the opportunity to comment on the Securities and Exchange Commission’s (the “SEC”) Proposed Rule, *The Enhancement and Standardization of Climate-Related Disclosures for Investors* (the “Proposed Rule”). The FHLBanks are government-sponsored enterprises that are regionally based, wholesale suppliers of funds to financial institutions of all sizes and many types, including community banks, credit unions, commercial and savings banks, insurance companies, and community development financial institutions. The 11 FHLBanks are each SEC registrants, privately capitalized and cooperatively owned by member financial institutions in all 50 states and U.S. territories. Although the FHLBanks are SEC registrants, shares of FHLBank stock are not, and cannot be, publicly traded on an exchange. The Office of Finance, a joint office of the FHLBanks, is responsible for preparing the combined financial reports of the FHLBanks.

Financial Impact and Expenditure Metrics Disclosure Threshold (Questions 66 and 68)

We appreciate the SEC’s proposed bright-line threshold for registrants to follow, and understand that this is intended to simplify reporting requirements and to promote comparability and consistency. However, the FHLBank System suggests using a principles-based assessment of materiality, consistent with the majority of Regulation S-X’s disclosure requirements and the SEC’s recent rulemakings, to determine whether a registrant is required to disclose climate-related financial statement metrics. By adopting a principles-based approach, each registrant’s assessment would need to be consistent with its risk framework and strategy, taking into consideration both quantitative and qualitative factors relevant

to the registrant, which would ultimately result in more meaningful disclosure and would be more consistent within a registrant's own disclosures.

As currently proposed, the financial impact metrics would require disclosure if the absolute value of the total impact is one percent or more of a total line item for the relevant fiscal year. Similarly, the proposed financial expenditure metrics would require disclosure if the aggregate amount expensed or the aggregate amount of capitalized costs incurred is one percent or more of the total amount expensed or total capitalized costs incurred. For example, for a registrant with over \$10 billion in assets and stockholders' equity of over \$1 billion that reports a provision and allowance for credit losses of \$1 million, a reportable absolute value of total climate-related financial impacts for that line item would only be \$10,000, which is a clearly insignificant amount as related to that registrant. Nonetheless, the Proposed Rule would require that registrant to effectively track these impacts and prepare related disclosures for all line items regardless of whether the disclosure is of any significance to the registrant's results of operations. This one percent threshold, coupled with the line-item disclosure requirement, would likely result in many immaterial disclosures for investors and undue costs to registrants.

Should a principles-based approach not be adopted, we suggest that the SEC consider a combination of (1) a percentage threshold that is significantly higher than the proposed one percent, *and* (2) a dollar threshold based on a significant percentage of a registrant's stockholders' equity or total income. The combination of a percentage threshold and a dollar threshold would provide a bright-line standard for registrants in disclosing significant climate-related financial statement impacts to reduce the risk of underreporting such information, while minimizing immaterial disclosures and undue costs to registrants.

Exemption from Scope 3 Emissions Disclosures for Certain Industries: Wholesale Lending (Questions 103 - 104) and Clarification of Value Chain (Question 17)

We support the exemption from reporting Scope 3 emissions disclosures under the Proposed Rule for those that qualify as smaller reporting companies, regardless of filing status. Additionally, we request that the SEC consider an exemption from Scope 3 emissions reporting for wholesale lenders, such as the FHLBanks. The FHLBanks collectively lend to approximately 6,500 members in all 50 states and U.S. territories, consisting of community banks, credit unions, commercial and savings banks, insurance companies, and community development financial institutions, many of which are not SEC registrants.

Wholesale lenders provide financial services and financing to other financial institutions, which in turn provide financial services and financing to their customers. A wholesale lender does not influence or control the use of the proceeds of a general-purpose loan made to another financial institution, which may ultimately be provided to such financial institution's customer. Additionally, wholesale lenders are one step further removed from information pertaining to any greenhouse gas emissions effect that may be associated with wholesale lenders' products or services, which would render collection efforts, systems and controls for such information established by wholesale lenders costly, disparate, and extremely complex.

Moreover, the difficulties with obtaining this information in a reliable and uniform manner could lead to inconsistent Scope 3 emissions disclosures. In light of the nature of the business conducted by wholesale lenders, we believe requiring Scope 3 emissions disclosures from such companies would be disproportionately more costly and burdensome and outweigh the value of reporting such information. We believe the SEC should provide a definition of a wholesale lender and exempt them from Scope 3 emissions disclosures.

Alternatively, we request that the SEC clarify the scope of the upstream and downstream activities that comprise the “value chain” for Scope 3 emissions to make clear that a registrant should report only on Scope 3 emissions directly produced by its primary customers to limit potentially duplicative and inconsistent disclosures with registrants within the same value chain. As written, the Proposed Rule may require a registrant to report on emissions up and down its entire value chain without qualification or limitation. Without additional clarity, registrants may interpret the definition of “value chain” differently resulting in duplicative and inconsistent reporting. For example, the Proposed Rule may require a registrant to report the emissions of its primary customers’ customers, and their customers, and their customers, and so forth. With varying interpretations of the Proposed Rule, this potentially unlimited degree of downstream and upstream information to be reported would likely be duplicative and inconsistent among registrants within the same value chain. Additionally, the impact can be felt more significantly on smaller entities such as many of our financial institution members. If they are not SEC registrants, the FHLBanks collecting and reporting this information may raise our members’ cost of doing business.

As currently proposed, the Scope 3 emissions disclosure requirements would lead to undue cost and lack of comparability within Scope 3 emissions disclosures for businesses such as ours. Therefore, we strongly urge that the SEC consider defining and excluding wholesale lenders, such as the FHLBanks, from Scope 3 emissions disclosures. Alternatively, we urge the SEC to clarify the definition of “value chain” to limit it to the emissions directly produced by a registrant’s primary customers that have a material impact on its business.

#### Compliance Timeline for the Proposed Rule (Questions 197 and 198)

We believe an extended phase-in compliance period should apply to non-accelerated filers. We appreciate the SEC’s recognition that registrants that are not large accelerated filers or accelerated filers need more time to develop systems, controls, and processes necessary to comply and will face proportionately higher costs because, as stated in the preamble to the SEC’s proposal, many accelerated filers are already collecting and disclosing climate-related information, have already devoted resources to these efforts, and have some levels of controls and processes in place for such disclosures. Assuming the Proposed Rule is adopted with an effective date in December 2022 and the registrant has a December 31<sup>st</sup> fiscal year end, the proposed phase-in period for disclosures for non-accelerated filers would be fiscal year 2024 for filing in 2025. The proposed phase-in period for smaller reporting companies would be fiscal year 2025 for filing in 2026. We request that non-accelerated filers receive

the same consideration for the phase-in period as given to smaller reporting companies, resulting in an additional year for compliance for non-accelerated filers.

The SEC also recognizes that gathering the data necessary to calculate a registrant's Scope 3 emissions can be challenging as much of the data is likely to be under the control of third parties. In particular, building and implementing effective controls for third party data will require extensive time and resources for many non-accelerated filers. Should the proposed phase-in period for non-accelerated filers remain the same as that for accelerated filers, we suggest that the SEC consider a longer phase-in period for non-accelerated filers with respect to Scope 3 emissions reporting (for example, starting in fiscal year 2026 for filing in 2027), in light of the complexity and efforts involved.

Reporting of Historical Periods Prior to the Effective Date or Compliance Date (Question 56)

The Proposed Rule would require comparable data for periods prior to the effective date or compliance date of the rule to be provided as part of the climate-related disclosures. For a registrant with a fiscal year 2024 compliance date, comparable data for fiscal years 2022 and 2023 would need to be included in its 2024 reporting, which may require data collection to begin in 2022. The FHLBanks believe that this timeframe is not reasonable given many registrants' limited resources, the complexities of the disclosure requirements, and the challenges confronting those industries that have not previously implemented an emissions framework. Therefore, we request that during the initial implementation phase of the final rule, reporting be limited to a registrant's most recently completed fiscal year and reporting for historical periods prior to the effective date or compliance date should not be required.

We appreciate the SEC's consideration of our views and welcome the opportunity to discuss our comments further with the SEC and its staff. Please feel free to contact me at (515) 412-2544 or



Sincerely,

A handwritten signature in cursive script that reads "Kristina K. Williams".

Kristina K. Williams  
President & Chief Executive Officer  
Federal Home Loan Bank of Des Moines  
(on behalf of the 11 Federal Home Loan Banks and the Office of Finance)