

WYOMING BANKERS ASSOCIATION

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June 17, 2022

The Honorable Gary Gensler, Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Via Email: rule-comments@sec.gov

Re: Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors; File Number S7-10-22

Dear Chairman Gensler:

The Wyoming Bankers Association (WBA) is the largest financial trade association in Wyoming, representing over 40 state and nationally chartered banks, savings banks and savings and loan associations located in communities throughout the State. The WBA appreciates the opportunity to comment on the Securities and Exchange Commission's (SEC's) proposal to enhance and standardize climate-related disclosures for investors.

The WBA and its members acknowledge that some investors seek climate-related disclosures. In light of such interest, the WBA supports the current efforts of its members to release climate-related disclosures through existing SEC requirements, including via Regulation S-K, the Securities Act Rule 408, the Exchange Act Rule 12b-20, and in voluntary measures such as SEC's Release 2010-15 regarding climate change disclosures.

The WBA believes that while some investors have expressed interest in learning how financial institutions identify and manage climate-related risks that are material to the particular business activities of the publicly traded financial institution, the WBA challenges that others' interest in climate-related disclosures is to promote non-financial, social agendas. The WBA cautions against mandating prescribed disclosures for principally political and social agenda reasons as the WBA believes such actions will harm investors and can potentially destabilize financial markets, especially when the area of social interest has itself no universally accepted standard measure.

A principal component of the overall, safe and sound management of a financial institution is effective oversight of the institution's credit risks, operational risks and overall reputational risks using long-standing and time-tested credit-based risk management policies, as appropriate. The WBA believes Wyoming's financial institutions, publicly traded or not, have successfully managed these risks throughout time, including how climate may impact those long-standing risks.

The Honorable Gary Gensler, Chairman

RE: Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors; File Number S7-10-22

June 17, 2022

Page 2

The WBA believes current SEC regulatory disclosure rules and guidance already require or encourage publicly traded companies to disclose risks, including any climate-related risks, which are financially material to the company. SEC's disproportional emphasis to propose prescribed, non-financially material disclosures puts investors and financial markets at risk, all while questioning the true authority of SEC to require the proposed climate-risk related content in the first place. As such, the WBA respectfully requests that the proposal be withdrawn.

The SEC Should Focus on its Mission of Investor Protection; The SEC Should Use the Supreme Court's Reasonable Investor Standard

The WBA believes the SEC has strayed from its traditional mission of investor protection with its current proposal to mandate extensive disclosures built around non-financial information. As previously stated, the WBA is concerned this approach politicizes the disclosure process in a manner unhelpful to investors.

Further, the WBA believes the proposed rule goes far beyond what reasonable investors would need to know to inform their decision of whether to buy, sell or hold stock, or how to vote on company proposals. Climate-related issues, including emission of greenhouse gases, are not material to all investors or for all companies. The SEC's proposal, however, would require all publicly traded companies to disclose Scope 1 and 2 emissions in new and detailed manners within financial statements. The SEC also requires audits for the disclosures. This level of prescribed disclosure of non-financially material information places an extraordinary amount of emphasis on the wrong information, the wrong risk. The WBA believes putting too much focus on climate concerns will lead to a broad economic dislocation and damage. As such, the SEC should remain focused on its mission to protect investors.

The WBA strongly recommends SEC utilize the Supreme Court's well-established "reasonable investor" standard in connection with any climate-related disclosures and to tailor any proposed rule to apply only in circumstances where the underlying business of the company has a direct and material connection with climate-related matters, including to greenhouse gas emissions. The SEC should withdrawal its current proposal and reconsider the Court's well-established standard before proceeding with any new disclosure requirement related to climate-related financial risks to investors.

If Finalized, Climate-Related Disclosure Should Be Principles-Based; Should be Tailored to Size and Complexity of Registrant

If a rule is to be finalized, the WBA believes any mandated climate-related disclosures should be tailored to the size and complexity of the registrant, as well as to the materiality of the climate-related exposure for investor relations purposes. A prescriptive one-size-fits-all approach to disclosure is unnecessary and overly burdensome to Wyoming's financial institutions — especially for smaller institutions.

Given the new and evolving nature of climate-related metrics and methodologies, allowing diverse approaches to disclosure within a principles-based framework will likely yield more efficient and effective processes to develop over the long term. Requiring detailed prescriptive disclosures before the financial institution or its customers fully understand climate-related reporting will stifle innovation and create an unnecessary drag on the economy.

The members of the WBA have reported that the SEC's proposal would impose *incredible* costs to implement. Several have commented that the costs of the proposal will further result in industry consolidation as the costs are simply not scalable and too exhaustive to remain competitive with non-filing institutions. The real-life effect of SEC's proposal could be to shutter well-run, regulated and responsible financial institutions in Wyoming that have proven histories as both a steady investment option for investors and active participants serving the financial needs of their communities. To cause such local cornerstones of Wyoming's communities to merge because of the implementation costs associated with a non-material, principally political social agenda is extraordinary. This would be a bad result not only for the industry, but also for the U.S. economy. If finalized, any financially material climate-related disclosure should be principles-based and be more tailored to the size and complexity of a registrant.

If Finalized, Remove Scope 3 Emissions Disclosure

The Scope 3 disclosure requirement will require publicly traded financial institutions to obtain disclosures from customers, including municipalities and privately held companies. Most of these companies will not have the resources to provide the information necessary for Scope 3 emissions, especially for small businesses—including minority- and women-owned businesses.

Customers are already suspicious of providing information to regulated financial institutions for credit underwriting purposes, Bank Secrecy Act (BSA) mandates or for other required government monitoring data collection purposes. Customers will be all the more suspicious when asked emissions-related questions since, in nearly all cases, the data is not necessary for the financial institution when assessing risk regarding making a credit decision or establishing a banking relationship under BSA rules, nor is it financially material for standard investor disclosures purposes. This disclosure results in an overreach of authority as publicly traded financial institutions are being used to collect emissions-related information from all types of businesses regardless of whether those businesses themselves are publicly traded.

Whether it be due to suspicion or the additional burden to gather necessary data, the requirement of Scope 3 disclosure will encourage customers to avoid publicly traded financial institutions in favor of privately held and less regulated lenders like fintechs and credit unions. Such reallocation of capital and banking relationships is harmful to the overall economy and reduces economic choice and vibrancy. If finalized, the WBA recommends the SEC remove the proposed Scope 3 emissions disclosure.

If Finalized, Longer Implementation Period and More Guidance are Necessary

Wyoming's smaller publicly traded financial institutions have reported they currently do not have the resources or in-house expertise to collect, analyze and report data as prescribed in the proposal. For the steps that cannot be managed in-house, Wyoming's financial institutions will need to consult other experts and will need help educating affected customers regarding why new non-financial data is collected from bank customers. New tools will need to be created or purchased to collect, organize, analyze, and report necessary data. Additionally, more guidance needs to be issued by SEC regarding definitions and other expectations. If finalized, SEC should significantly lengthen the implementation period.

If Finalized, Proposed Safe Harbors Should be Broadened

As previously mentioned, publicly traded financial institutions will need to consult with other experts and find ways to collect the non-financial data for climate-related reporting. Reliance on third party information means financial institutions have no control over much of the process. If finalized, the SEC should strengthen its proposal to provide broader safe harbors for any statements that necessarily rely on data from third parties outside the control of a reporting financial institution. Without stronger safe harbors, the information disclosed will be very minimal.

The SEC Should Consider Prudential Banking Regulation and Coordinate With Banking Regulators

Financial institutions are already highly regulated for safety and soundness. Those regulations, while different from disclosure regimens, also serve to protect investors. Any further SEC regulation applied to regulated financial institutions needs to take into consideration any existing or future prudential regulation of financial institutions and should be coordinated with prudential regulators to avoid contradictory, duplicative and/or unnecessary requirements that increase costs and burdens. If finalized, the SEC should also consider any exemption threshold related to climate disclosures that is adopted by a prudential banking regulator and incorporate the exemption threshold into the SEC's proposal.

Conclusion

The Wyoming Bankers Association has significant concerns with SEC's proposal to place such costly regulatory burden on Wyoming's publicly traded financial institutions, especially when such prescribed disclosures are not material for investor relations purposes.

The SEC should remain focused on its mission of investor protection and should use the Supreme Court's "reasonable investor" standard in connection with any climate-related disclosures. The SEC's current proposal fails to meet this standard and, therefore, should be withdrawn.

If, however, the SEC finalizes a proposal on this topic, it should be significantly revised as any new climate-related disclosure should be principles-based and Should be tailored to the size and

The Honorable Gary Gensler, Chairman

RE: Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors; File Number S7-10-22


June 17, 2022

Page 5

complexity of a registrant. In addition, the SEC should eliminate Scope 3 emissions disclosure, implement a significantly longer implementation period, broaden safe harbors and consider any other similar prudential banking regulation and coordinate with banking regulators to avoid duplication.

The Wyoming Bankers Association appreciates the opportunity to comment on the proposal.

Respectfully,



Scott W. Meier
President / CEO

Wyoming Bankers Association