FIXED INCOME INVESTOR NETWORK

Via Electronic Submission

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

RE: Proposed rulemaking regarding the Enhancement and Standardization of Climate-Related Disclosures for Investors (Release Nos. 33-11042; 34-94478; File No. S7-10-22)

Dear Madam Secretary:

The Fixed Income Investor Network (the "**FIIN**") greatly appreciates this opportunity to provide feedback regarding the above-referenced proposed rulemaking (the "**Proposal**"), which would require information about a registrant's climate-related risks that are reasonably likely to have a material impact on its business, results of operations, or financial condition. Unlike other industry associations which represent broader market participant interests and have a comparatively small investor membership, the FIIN is an investor-based association with a unique membership of over 400 investors across 260 different investment management firms. "Investor-driven and investor focused" encapsulates our mission, which today operates with the goal of providing investors with a forum for education and sharing ideas in the rapidly evolving fixed income and structured finance marketplace.

As an association focused solely on the interests of investors, we feel particularly well-suited to opine on the Proposal's aims to improve transparency and strengthen investor protections. Although the scope of our mission includes all fixed income products, the FIIN focuses primarily on structured finance and the market for asset-backed securities, giving our membership a unique perspective on these instruments. We are aware that the Proposal as currently drafted would not apply to asset-backed issuers and that the Commission and staff are continuing to evaluate climate-related disclosures with respect to asset-backed securities. However, given the FIIN's expertise in this area relative to other industry associations, we wanted to provide responses specifically addressing the following questions in the Proposal regarding asset-backed securities (Request for Comment #182 on pg. 280). Our responses follow the specific Requests for Comment below:

Request for Comment #1: Should we require asset-backed issuers to provide some or all of the disclosures under proposed Subpart 1500 of Regulation S-K? (Note: Subpart 1500 of Regulation S-K would require a registrant to disclose certain climate-related information, including information about its climate-related risks that are reasonably likely to have material impacts on its business or consolidated financial statements, and GHG emissions metrics that could help investors assess those risks. A registrant would also be allowed to include disclosures about its climate-related *opportunities. The proposed new subpart to Regulation S-K would include an attestation requirement for accelerated filers and large accelerated filers regarding certain proposed GHG emissions metrics disclosures.)*

The legal entities issuing asset-backed securities can take the form of a variety of special purpose vehicles (SPVs), usually some type of statutory trust. However, these entities are not qualified to be SEC registrants under the Investment Company Act of 1940 and are not required to provide consolidated financial statements in the same sense that registrants are. The sponsors of these SPVs might be registrants, but the SPVs themselves are bankruptcy-remote vehicles that have purchased the assets from their sponsors through true sale no-recourse transactions, ensuring that they are firewalled against any material risks that might impact the sponsor. The SPVs are generally passive trusts, although most Collateralized Loan Obligations (CLOs) have provisions permitting the active management of their collateral.

In addition, unlike most registrants, which are corporations or partnerships that can exist into perpetuity, the SPVs that have been established to issue asset-backed securities generally have a contractual maturity or an expected life of between one to five years. The longer-term nature of climate risk is therefore unlikely to have a material impact on the financial condition of any given asset-backed security or the issuing SPV. For example, transition risk, which is a very material consideration for firms associated with the extraction, processing or distribution of fossil fuels, would be largely irrelevant for asset-backed securities due to their short lives. Certain physical hazard risks that are thought to be exacerbated by climate change, such as flooding or wildfires, could potentially impact the collateral values supporting certain asset-backed securities. One example would be real estate improvements such as houses or buildings that are funded by residential or commercial mortgages. However, these risks are generally required to be mitigated by specific forms of insurance as a condition of the securitization.

Clearly, the proposed requirement to disclosure material climate-related risks in consolidated financial statements is not relevant for asset-backed securities. Given the key distinctions between registrants that are corporations or partnerships versus SPVs that issue asset-backed securities, any future climate risk-related disclosure regulations that scope in asset-backed securities should tailor the requirements to account for these differences. FIIN's recommendations for appropriate climate-related disclosures for asset-backed securities are addressed in our responses to the additional Requests for Comment below.

Request for Comment #2: If so, which of the proposed disclosures should apply to asset backed issuers?

Including climate risk disclosures in the Certain Risk Factors section of the prospectus or offering memorandum for ABS could potentially satisfy the proposed requirement that climate risks be disclosed in the consolidated financial statements of issuers that are registrants. The current prospectus or offering memorandum requirements for the identification of certain key risk factors often result in the disclosure of environmental or social risk factors for securitizations. Examples include recent deals that have disclosed risks associated with the transmission of COVID-19. The SEC could consider requiring sponsors/issuers of asset-backed securities to identify specific physical hazard risks related to climate change that have not traditionally been disclosed or mitigated by insurance during the issuance process, and include enhanced transparency in regards to the insurance of mitigated risks. One example is the risk that flood maps used to determine hazard insurance premiums for real estate-related collateral are often not updated to reflect current climate conditions and might provide insufficient information to adequately mitigate flooding risk.

Request for Comment #3: Are other types of climate disclosure better suited to asset-backed issuers?

The climate-related risks that might be financially material to the issuers or sponsors of ABS would not be relevant information for investors in those ABS given the no-recourse nature between issuers/sponsors and the SPVs of ABS noted above. It is only relevant for investors to be provided with disclosures that are related to the climate risk factors directly affecting the cash flows generated by the underlying collateral in any ABS. Since the nature of the collateral is so different across the major securitized asset classes (residential mortgage-backed securities, commercial mortgage-backed securities, consumer unsecured ABS, automobile ABS, credit card ABS, CLOs, etc.), FIIN's suggestions for disclosures are included in Request for Comment #4 below.

Request for Comment #4: How can climate disclosure best be tailored to various asset classes?

Given the diversity of the different asset classes of ABS listed above, the relevancy of climate risk factors will vary dramatically between each type of ABS. For example, the greater frequency of wildfires and flooding due to climate change is clearly a material risk factor for mortgage-backed securities, but it is difficult if not impossible to trace specific environmental or climate-specific risks to unsecured consumer loan ABS collateral.

There are therefore climate-related risk factors that would be material and relevant for investors in ABS. The existing Proposal would require registrants/issuers to disclose information related to greenhouse gas (GHG) emissions. Although securitizations do not themselves create GHG emissions, the GHG emissions associated with auto loan collateral would be relevant information to investors concerned about the environmental impact of internal combustion engines. Smog indices and fuel efficiency data for almost all makes of cars are publicly available, and the provision of these data by the sponsors of auto ABS could help investors make better decisions, potentially influencing them to pay premiums for ABS with more environmentally benign collateral. This is just one example of the kind of relevant climate-related data that could be more broadly disclosed by issuers of ABS.

The FIIN is aware that a number of organizations, such as the UN's Principles for Responsible Investment (UN PRI), the Structured Finance Association (SFA), and other industry consortiums are currently developing proposed climate risk disclosure standards for asset backed securities. These efforts are intended to provide investors and other stakeholders in the capital markets with asset class-specific climate risk disclosure frameworks that will enable better and more informed investment decisions. Our understanding is that these proposed frameworks will be made available within a sufficient time horizon to enable the SEC to incorporate their recommendations into any future proposed climate risk disclosure regulations with ABS in scope. We would defer making any asset class-specific recommendations on appropriate climate risk disclosure factors until such time as these frameworks have been released and vetted by the FIIN and other knowledgeable ABS market participants.

We thank you for your consideration of our responses to your Requests for Comment, and we would welcome the opportunity to discuss this matter further with you. We stand ready to provide any additional information you believe might be useful. Please feel free to direct any questions you have in this regard to Adam Grainger, at adam.grainger@thefiin.org.

Sincerely,

The Fixed Income Investor Network