

March 8, 2022

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Submitted electronically via <https://www.msrb.org/CommentForm.aspx>

**Re: Request for Information on Environmental, Social, and Governance Practices in the Municipal Securities Market
MSRB Notice 2021-17¹**

Dear Mr. Smith:

Bloomberg L.P.² respectfully submits this letter in response to the above-referenced notice issued by the Municipal Securities Rulemaking Board (“MSRB”) for information on environmental, social, and governance (“ESG”) practices in the municipal securities market (“MSRB Notice”).

We share the MSRB’s recognition that investor appetite for sustainable investing has led to a growing interest in ESG-labeled bonds as well as demand for disclosure of information regarding ESG-related risk factors and practices.³ Indeed, ESG-related disclosure and access to information have become a priority for many investors increasingly concerned with financial risks posed by climate change. We appreciate the MSRB’s engagement with stakeholders on this important topic to protect investors, municipal issuers, and the public interest by promoting a fair, efficient, and transparent municipal securities market.

Overview

One of the greatest challenges for market participants and regulators globally is the lack of publicly available, mandatory, and globally consistent reporting standards. Inconsistent reporting

¹ Request for Information on Environmental, Social, and Governance (ESG) Practices in the Municipal Securities Market, MSRB Notice 2021-17 (Dec. 8, 2021), available at <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2021-17.ashx?>.

² Bloomberg – the global business, financial information, and news leader – increases access to market data by connecting market participants of all stripes to a dynamic network of information, people, and ideas. The company’s strength – quickly and accurately delivering data, news, and analytics through innovative technology – is at the core of the Bloomberg Terminal. The Terminal provides financial market information, data, news, and analytics to banks, broker-dealers, institutional investors, government bodies, and other business and financial professional worldwide.

³ MSRB Notice at pp. 1-2.

standards across jurisdictions and market players can significantly impact the credibility, usability, and comparability of data. Presently, there are no uniform standards for ESG-related disclosures for bonds other than material ESG information required under existing disclosure standards. Current practices around identifying and communicating material ESG-related information rely largely on voluntary best practices and industry-led standards.

To that end, we offer some practical considerations regarding the MSRB's current ESG disclosure requirements. We also recommend that the MSRB look to frameworks and standards established by organizations such as the Financial Stability Board's Task Force on Climate-Related Financial Disclosures and the International Capital Markets Association, as well as follow developments in other jurisdictions (*i.e.*, European Union) that are leading in this area.

Practical Considerations: The Need for Guidelines and Consistency in Official Statements and Continual Disclosure Documents

At a high level, we believe the MSRB should consider issuing updated guidance regarding disclosure obligations of municipal securities issuers to address ESG-related disclosures. Currently, there is no consistency in the ESG-related disclosures found in official statements, which makes it difficult to obtain relevant ESG information without having to manually interrogate each document. Additionally, there is no protocol on where to find ESG information in continuing disclosures, specifically annual disclosures. Having a dedicated ESG section in official statements and the addition of a new ESG document type for annual disclosures would be helpful.

In addition, it is difficult to determine whether a Muni New Issuance is ESG or not in the absence of an issuer self-labeling as such or the bond purpose outlined in the official statement aligning perfectly with principles set out by the International Capital Markets Association ("ICMA"). For this reason, more guidance on standards around ESG disclosure in official documents would be helpful.

It is also important to consider the latency of ESG data, as there may be data quality issues associated with the data that is not disclosed to the market in a timely manner. It is important to make sure that ESG information is provided promptly so it remains relevant and is not outdated at the time it is disclosed. Further, ESG-related disclosures should be digital in format and contain machine-readable information that is common and comparable, in addition to binary or metrics-based answers.

However, we caution that the MSRB should not go beyond disclosures and impact market participants' ability to conduct their own ESG analysis. For example, ESG scoring of municipal issuers and bond issuances should be open to interpretation and analysis.

Task Force on Climate-Related Financial Disclosures (“TCFD”), International Capital Markets Association (“ICMA”), and the European Union’s Draft Regulation on Green Bond Standard (“EU GBS”)

Despite challenges to more directly standardizing ESG disclosures for bonds in the municipal securities market due to limitations posed by the existing regulatory framework, the MSRB should continue to encourage climate-related disclosures following a binding disclosure framework, such as the TCFD. MSRB may also benefit from considering ICMA principles, as well as to follow the development of the EU GBS, when it comes to green bonds.

Bloomberg chairs and provides the Secretariat for the TCFD.⁴ In June 2017, the TCFD released its final recommendations which provide a framework for companies and other organizations to develop more effective climate-related financial disclosures through their existing reporting processes. In our experience, the TCFD recommendations proactively address the growing investor demand for climate-related information, in a framework that investors are increasingly asking for. We have also found that TCFD plays a central role in driving corporate actions toward a low- and zero-carbon economy by facilitating constructive dialogues between institutional investors, financial institutions, and companies.

It is important to note that the TCFD recommendations were designed to be adopted by all organizations, including non-financial groups and the financial sector, from asset managers to asset owners, banks, and insurers. The TCFD designed the set of recommendations as a flexible framework for these organizations to produce decision-useful, forward-looking information on the financial impacts of climate change, which would accommodate the continued rapid evolution in climate-related modeling, management, and reporting.

The TCFD is now widely considered to be the key global framework for climate reporting. While many standards are important in the ESG reporting world, TCFD is the only framework to focus exclusively on climate-related reporting and is widely supported by companies, governments, and public sector bodies globally. As of the date of this letter, TCFD has over 3,166 supporters globally – including 1,329 financial institutions – responsible for assets of \$210.2 trillion. TCFD supporters span 93 countries and jurisdictions and nearly all sectors of the economy, with a combined market capitalization of \$25 trillion.

More than 120 regulators, central bankers and government entities around the world are TCFD supporters, including the governments of France, Belgium, United Kingdom, Canada, Chile, Denmark, Ireland, Japan, New Zealand, and Sweden. The G20, the G7, IOSCO and the Network

⁴ The TCFD is an industry-led task force created by the Financial Stability Board. Its members represent providers of capital, insurers, large non-financial companies, accounting and consulting firms, credit rating agencies, and others. The TCFD has developed recommendations for more effective climate-related disclosures to promote more informed investment, credit, and insurance underwriting decisions. It is chaired by Mike Bloomberg, founder of Bloomberg L.P. Bloomberg L.P. serves as the Secretariat of the TCFD. For further information on the TCFD, please see <https://www.fsb-tcfid.org/>.

for Greening the Financial System have encouraged companies issuing public debt or equity to disclose in line with TCFD recommendations.

The TCFD framework covers critical metrics and targets such as Scope 1, Scope 2, and where appropriate, Scope 3 GHG emissions, water, waste, and industry-specific key performance indicators.

We recommend that the MSRB consider TCFD's four overarching recommendations and 11 supporting recommended disclosures, as well as its guidance for financial industries to understand the type of disclosures required to provide end-users with higher quality information. In addition to TCFD disclosure, mandatory disclosures of ESG indicators applicable to financial market participants are needed to improve the quality of quantitative and science based ESG data.

The MSRB should also consider existing initiatives developed by international bodies such as the ICMA.⁵ ICMA's Green Bond Principles, for example, provide issuers guidance on the key components involved in launching a credible green bond, while also enabling investors to have access to information needed to evaluate the environmental impact of their green bond investments.⁶ These principles have been widely adopted by market participants and have gained credibility among investors.

Increased innovation in the sustainable debt market requires close monitoring by and guidance from regulators. When considering sustainable finance initiatives, it also may be helpful to follow EU legislative developments, such as the EU GBS.⁷ While the scope of the legislation captures European companies and market participants, the MSRB may glean additional insights from implementation of these legislative initiatives.

When it comes to the green bond standard, there is merit in developing a single standard for issuers to create a globally comparable universe of securities. There is also a need for additional clarification and regulation regarding the green bond market. Should there be a future consideration of developing a green bond standard in the U.S., existing principles set by the ICMA and the underlying principles of the EU GBS would provide a good foundation to build upon.

⁵ See ICMA's Principles, Guidelines, and Handbooks, available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>.

⁶ The Green Bond Principles: Voluntary Process Guidelines for Issuing Green Bonds, ICMA (June 2021), available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>.

⁷ Proposal for a Regulation of the European Parliament and of the Council on European Green Bonds (July 2021), available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0391>.

Conclusion

Climate considerations and ESG issues will continue to be major areas of focus for market participants. As such, the MSRB should continue to encourage ESG-related disclosures and monitor developments in green bond standards in other jurisdictions. We hope that the recommended considerations detailed above will provide the MSRB with some insights on what may be done under the current disclosure scheme as well as other ESG trends to consider in the municipal securities market.

We appreciate the MSRB's willingness to consider comments on this topic and would be pleased to discuss any questions that may arise with respect to this letter.

Thank you.

Very truly yours,

A handwritten signature in black ink that reads "Gregory R. Babyak". The signature is written in a cursive, slightly slanted style.

Gregory Babyak
Global Head of Regulatory Affairs, Bloomberg L.P.