



March 14, 2022

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

Re: Request for Information on ESG Practices in the Municipal Securities Market (MSRB Notice 2021-17)¹

Dear Mr. Smith,

Intercontinental Exchange, Inc. ("ICE"), on behalf of itself and its subsidiaries, appreciates the opportunity to comment on the Municipal Securities Rulemaking Board ("MSRB") Request for Information on ESG Practices.

We address our comments to specific questions asked by the MSRB with regards to market practices around disclosure, risk factors and labeling of ESG ("Environmental, Social and Governance") designations. As discussed below, ICE is supportive of sustainable and impact investing and regulatory initiatives designed to improve transparency and comparability that enhance investor protection and overall fairness and efficiency of the municipal securities market.

We believe that our five decades of experience providing evaluated pricing and related reference data and metrics covering over one million municipal securities can provide useful insights into ESG-related practices.

Background on ICE

ICE, through its ICE Data Services business unit, is a leading provider of evaluated end-of-day and real-time pricing services on approximately three million fixed income securities spanning approximately 150 countries and 80 currencies including sovereign, corporate and municipal bonds, mortgage- and asset-backed securities as well as leveraged loans. ICE's reference data complements this evaluated pricing by providing our clients a broad range of descriptive information, covering millions of financial instruments. ICE's ESG data covers a wide range of financial instruments including equities, municipal bonds, corporate bonds, mortgage-backed securities (MBS) and loans. Our municipal ESG data covers over 40 different demographic and workplace metrics which indicate the potential social impact of investment in a given municipality. In addition, these metrics are mapped to the UN Sustainable Development Goals to provide users a means to look at their impact within a commonly understood framework. Our company ESG data² includes widely reported and comparable ESG attributes and

¹ <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2021-17.ashx>

² <https://www.theice.com/data-services/esg-data/esg-reference-data>



indicators (over 500), which can help users better understand ESG risks and opportunities of global corporations.

In addition, for municipal securities and MBS, ICE offers climate risk data³ on the exposure of securities to climate risks. This service can help users quantify climate risk exposure and make strategic decisions across municipal securities portfolios by maturity, obligor or geographical boundary. Finally, ICE's terms and conditions data service⁴ includes classification of green, social and sustainable bonds, as well as details of any second party opinion that confirms the status of the bond.

Alignment with Other Regulatory Initiatives

ICE believes that it is in the best interest of the marketplace for regulators to coordinate their ESG oversight initiatives. We note that the U.S. Department of the Treasury ("U.S. Treasury") hosted a virtual roundtable on State and Local Efforts to Address Climate Change on March 3, 2022⁵, and we believe that the MSRFB could be instrumental in the U.S. Treasury's goals to foster resiliency to the impacts of climate change at the state and local government level. Specifically, we believe the MSRFB's inputs would be valuable to the Financial Literacy and Education Commission future publication regarding climate-related financial risks to households, especially in low-income and historically disadvantaged communities, among other areas.

We support ongoing efforts of U.S. regulators to work together, such that regulatory regimes are understandable and consistent in their overarching goals, without creation of specific regulatory burdens on the industry that are inconsistent or counter-intuitive to other regulator's requirements.

Industry Leadership in Standardization

ICE generally believes that industry-led initiatives for ESG-labelling, such as the International Capital Markets Association ("ICMA") and the Consensus Building Institute ("CBI"), are the optimal approach and supports frameworks for measuring "E", "S", and/or "G" factors that are rigorously data-driven, quantitative, objective, and transparent. The asset management industry has demonstrated an increasing usage of ESG factors in their decision-making processes and we believe that the industry will converge on financial product disclosure standards and methodologies.

Nevertheless, a key missing piece that the industry may benefit from regulator intervention is with regards to clarity on the Use of Proceeds ("UOP"). The use of voluntary labels from organizations such as ICMA or CBI can assist with this, and ICE supports industry best practices in the further use and development of these labels to ensure a degree of standardization and understanding of the assets. This also supports the important aspect of independent verification of these labels by a third party, something which is increasingly important to prevent the perception and reality of greenwashing. This is true across the broader fixed income marketplace and is equally applicable to the municipal marketplace.

³ <https://www.theice.com/data-services/esg-data/climate-risk>

⁴ <https://www.theice.com/market-data/pricing-and-analytics/reference-data/terms-and-conditions>

⁵ <https://home.treasury.gov/news/press-releases/jy0627>



Asset managers with a focus on ESG are seeking to better understand how debt funding is being utilized and whether, for example, it is reasonable to map a given bond's UOP to a particular taxonomy such as the United Nations' Sustainable Development Goal ("UN SDG").⁶ This mapping is challenging because the disclosures for a large percentage of General Obligation ("GO") bonds are vague about how debt funding is used. As a significant first step, MSRB could require, in connection with issuance of GO bonds, an issuer's disclosure of its municipal budget to be made in a standardized form. Such standardization would be fundamental in driving transparency for investors and providing a tool for asset managers to better allocate capital in accordance with their ESG goals.

Other than the above, we suggest that MSRB continue to monitor the evolving industry leading practices in the ESG space and evaluate if further regulatory intervention is required if ESG disclosures do not meet certain goals.

Access to ESG Data

The MSRB asks whether unequal access to ESG data results in disparate impacts to investors and other market participants and whether competing ESG data creates investor confusion.

ICE strongly believes that regulator concerns around asymmetry and confusion should largely focus on requiring vendor ESG data to be data-driven, contextual, and offer transparency of methodologies. By doing so, we believe that municipal market stakeholders will be better able to understand and appropriately compare among providers. For example, today, different credit rating agencies may provide different credit risk opinions on the same security without creating significant investor confusion, and we see no reason why ESG metrics are any different.

We continue to believe that if regulators demand quantitative, objective, and transparent characterizations of "E", "S" and "G" conditions, the industry will naturally evolve into a state of comparability even with disparate outputs from different providers. As a specific example, we believe the industry would benefit from requirements to disclose measurable characteristics of issuers in quantitative terms, especially in the "G" factors which have historically been more qualitative in nature.

In total, ESG data that is rigorously data-driven, transparent, and rooted in the interests of helping investors direct their capital to achieve their own ESG objectives, will be well positioned for wide adoption while mitigating common concerns about subjectivity and confusion.

Importance of ESG-Related Information to Potential Investors in the Municipal Securities Market

The MSRB asks whether the availability of ESG-related information (or lack thereof) in other financial markets directly or indirectly influences the functioning of the municipal market and whether taxable ESG investors

⁶ <https://sdgs.un.org/goals>



expect the same timeliness and quality of ESG-related information for a municipal issuer as for a corporate issuer.

There is evidence from other financial markets that instruments which are focused on a specific ESG outcome (e.g. green bonds) often attract higher demand and potentially lower funding costs. The application of the voluntary frameworks discussed earlier could have a similar impact in the municipal market, providing capital to issuers at a lower cost.

There is significant research⁷ in the public domain highlighting that the demand for ESG investment options is growing rapidly, and this trend is expected to continue with the shift of generational wealth and increasing focus on global challenges, including climate risk and social inequality. Investors are becoming more sophisticated and seeking to understand how their capital is (or is not) working to achieve their own ESG objectives, in addition to their focus on financial returns and taxation benefits.

The municipal market is positioned to allow investors the ability to directly invest their money towards local climate resiliency infrastructure or educational equality⁸ projects. We believe, under an appropriate regulatory framework as described above, this creates significant opportunity for the municipal market to become a central focus for socially responsible and true impact investing options. In addition, we believe that the use of common frameworks, such as the UN SDGs, across multiple asset classes enables investors to better apply their respective ESG needs upon their investment strategies.

MSRB Use of ESG indicators

The MSRB asks whether making the ESG indicator from IHSMarkit on the New Issue Calendar shown on the EMMA website can enhance market transparency regarding ESG-Labeled Bonds, and is valuable to investors, municipal issuers or other market participants. This ESG indicator denotes when an issuer has self-labeled a bond issue as green, social, or sustainable, or if the issuer includes an independent ESG certification as part of the offering document.

ICE believes that such an ESG indicator provides useful information to the investor, especially when it is independently verified. In addition, we believe there is significant value to external (i.e. not reported by the issuer) ESG information which can be applied to all issuers and bonds further enhancing market transparency and adding value to municipal bond market participants. Larger issuers and those issuers with more affluent populations are more likely to have such certifications because of the fees required to obtain an independent ESG certification. Because investors could potentially incorrectly conclude that only those bonds or issuers with the “ESG-label” achieve a given social purpose, we suggest that the MSRB consider additional approaches that provide industry participants with ESG factors, metrics or scores for all issuers and bonds to avoid any non-

⁷ For example, <https://www.reuters.com/markets/us/how-2021-became-year-esg-investing-2021-12-23/#:~:text=A%20record%20%24649%20billion%20poured,10%25%20of%20worldwide%20fund%20assets> and <https://www.cnbc.com/2021/05/09/esg-investing-to-reach-1-trillion-by-2030-head-of-ishares-americas.html>

⁸ <https://www.forbes.com/sites/investor/2019/07/09/municipal-bonds-investing-in-our-communities/?sh=542975bd34f3>



inclusive assumptions or bias towards more-resourced issuers. ICE would be happy to discuss these ideas further with the MSRB.

Respectfully submitted,

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

Anthony Belcher, Vice President, Sustainable Finance
Intercontinental Exchange, Inc.