NEW YORK STATE OF OPPORTUNITY. | Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

Linda A. Lacewell
Superintendent of Financial Services
New York State Department of Financial Services
1 State Street
New York, NY 10004

June 14, 2021

Via Electronic Mail
to rule-comments@sec.gov

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

Re: Request for Public Input on Climate Change Disclosures Issued by Acting Chair Allison Herren Lee on March 15, 2021

Dear Chair Gensler,

The New York Department of Financial Services ("DFS") appreciates the opportunity to respond to the U.S. Securities and Exchange Commission's ("Commission") request for public input on climate change disclosures referenced above. DFS commends the Commission for focusing on the financial risks from climate change ("climate risks") and seeking broad input as it develops climate-related disclosure requirements.

The Department of Financial Services (DFS) supervises and regulates the activities of nearly 1,800 insurance companies with assets of $5.5 trillion; and more than 1,400 banking and other financial institutions with assets totaling more than $2.9 trillion, as of Dec. 31, 2020. The institutions regulated by the Department include 132 life insurance companies, 864 property/casualty insurance companies, 94 health insurers and managed care organizations, and more than 388,000 individual insurance licensees, 162 state-chartered banks, 74 foreign branches, 10 foreign agencies, 17 credit unions, 20 credit rating agencies, 382 financial services companies, and more than 9,399 mortgage loan originators and servicers. DFS also supervises four private pension funds and eight public pension fund systems, including the New York State Common Retirement Fund, the third largest public pension fund plan in the U.S., the New York City Pension Funds Systems (comprised of five pension funds), the fourth largest public pension plan in the U.S., and the New York State Teachers Retirement System, one of the ten largest public pension funds in the U.S.

Climate change poses a material risk to the financial system. Prudential regulators, such as DFS, have a responsibility to ensure that financial institutions are resilient to all material risks, including those related to climate change. DFS has issued proposed Guidance for New York Domestic Insurers on Managing the Financial Risks from Climate Change ("Guidance"), which is open for public comment until June 23, 2021, following a Circular Letter on Climate Change and Financial Risks for the New York regulated insurance industry dated September 22, 2020. DFS also issued an Industry Letter on Climate Change and Financial Risks dated October 29, 2020 to New York-regulated depository and non-depository institutions. These documents set forth DFS's expectation that all such regulated institutions assess and manage their financial risks from climate change, to start developing their approach to climate-related financial disclosures and consider engaging with the Task Force for Climate Related Financial Disclosure framework and other established initiatives when doing so.

The Commission's request for public comment relating to climate disclosure by public companies is intended to assist investors and lenders, such as insurers, banking organizations, and pension funds, many of which are regulated by DFS. For example, climate change-related disclosures could help investors, lending institutions, and insurance underwriters appropriately assess and price climate-related risks and opportunities. It is crucial that they have access to decision-useful, consistent, comparable, and reliable information relating to the climate risks of the companies in which they invest or with which they have a lending relationship. Many large DFS regulated entities, especially insurance companies, have communicated to DFS that the lack of such data is a major impediment as they seek to manage their financial risks from climate change.

Furthermore, individual investors are entitled to receive all material information, including information related to climate-related risks, as they make investment decisions for themselves and their families. We commend the Commission's focus on protecting all investors, including individual investors.

While current voluntary disclosure practices are important first steps, they are prone to variable quality, standards, and methodologies, as well as incompleteness and inconsistencies. Standardization of reliable disclosures will provide better access to the data needed for managing risks.

Recognizing that DFS's regulated entities may be both consumers and producers of climate-related disclosures, DFS's overarching response to the Commission's request for public input on climate risk disclosure is as follows:

- Consistent, comparable, and timely disclosures - DFS recommends that disclosures be reliable, balanced, understandable, consistent over time, comparable among institutions within a sector, and provided in a timely manner.

- Governance disclosures - DFS recommends disclosure of the corporate governance and board oversight of climate-related issues, including policies, procedures, internal controls, and management information systems relating to climate risks.

- Business strategy disclosures - DFS recommends disclosure of how climate-related issues impact an institution's business strategy and performance over time, including both risks and opportunities, so that investors, lenders, and other stakeholders are better informed about the future performance of the institution.

- Risk management disclosure - DFS recommends disclosure of how an institution identifies, assesses, monitors, and manages climate-related risks, including processes for identifying and assessing risks, determining materiality of risk, and how such risks are integrated into its existing risk management framework, bearing in mind the data gap and risk measurement challenges that institutions currently face.

- Proportionate approach in risk disclosure - DFS encourages the Commission to take a proportionate approach that reflects each institution's exposure to climate risks and the nature, scale, size, and complexity of its business. Such an approach has been emphasized in DFS's expectations and guidance on managing climate risks.

- Balancing disclosure and regulatory burden - A number of DFS's regulated entities are public companies, and thus would be subject to the Commission's disclosure requirements. It is important to strike a balance to avoid over-reporting and ease the regulatory burden and cost of compliance on institutions that are already subject to significant reporting requirements.

- Coordination with other regulators - As the proposed disclosures will impact a large number of institutions regulated by various state and federal regulators, including DFS, we ask the Commission to work with DFS and other regulators to facilitate the disclosure process. We appreciate and welcome our continued collaboration with the Commission on this important initiative.

Climate change is one of the defining risks of our time. Time is of the essence when it comes to climate change and we cannot let perfection be the enemy of the good. While there has been much focus on data gaps and the uncertainty around models and policy related to climate risks, these concerns should not excuse companies from disclosing such risks. Despite the uncertainty, we already know a great deal about which sectors are carbon intensive, what constitute the major physical risks from climate change, and which geographic areas and sectors are most likely to be impacted by these risks. DFS encourages the Commission to act without delay in its climate change disclosure rulemaking.

Developing and managing standards for the disclosure of risks related to climate change requires collaboration among state and federal regulators and the industries that they regulate. We look forward to working with the Commission to secure a sustainable future for our financial system and the people that it serves.

Sincerely,

Linda A. Lacewell

Linda A. Lacewell
Superintendent of Financial Services
New York State Department of Financial Services