

VIA EMAIL

August 5, 2024

Ms. Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
[Rule-comments@sec.gov](mailto:Rule-comments@sec.gov)

Re: File No. 10-244  
Green Impact Exchange LLC: Notice of Filing of Application for Registration  
as a National Securities Exchange

Dear Ms. Countryman:

I gratefully thank the SEC for offering me the opportunity to submit this letter regarding the Green Impact Exchange.

I strongly support the Green Impact Exchange and its very promising approach to ameliorating a problem that is seriously affecting countries globally: deterioration of the world's atmosphere. I have been following the development of the Green Impact Exchange and am enthusiastic about what it is doing.

As is well known, equity markets provide a finance function that is an essential driver of a country's economy. A stock exchange traditionally facilitates capital raising, orderly trading, liquidity provision, and price discovery, but they do not explicitly address how companies operate with regard to the goods and services they produce, even though a company's production can exacerbate the environmental problem. Will the free market be able to improve the environment sufficiently?

For two major reasons, free market actions have not been forthcoming to the extent they are needed, and government regulation has been called for:

- (1) For a company, the pollution it causes is costly for society, but the cost to society is an *externality* for the company and will not be taken into account by a profit maximizing firm.
- (2) For the population, the removal of pollution is a *public good*. A hallmark of a public good is that there is no way shy of government mandate and taxation to make consumers who benefit from it pay for it. A lighthouse in a harbor is a classic example. The lighthouse casts a light

that can be seen by ships passing in the night, and no ship has to pay to see it. The result? Public goods are undersupplied in a free market.

Many companies and investors are very concerned about the quality of the world's environment, but do not act on their concerns because of the externality and public goods properties. The Green Impact Exchange has a unique approach to overcoming this: to be listed on the Exchange, a company must articulate clearly to investors how it will control any negative environmental impact its operations might have. This listing requirement establishes a win-win situation for companies, portfolio managers, and the Green Impact Exchange.

*Companies:* A company's concern and commitment are two different things. Currently, credible, consistent information about a company's commitment, sustainability strategy, plans and achievements are extremely difficult to obtain. This can be changed. Listing on the Green Impact Exchange will certify a company's commitment and, in so doing, it will differentiate a listed company from firms that talk about the issue but do little to better it (talk not followed by meaningful action has, in the environmental context, been referred to as "green washing").

*Investors:* Many investors (large portfolio managers in particular) are concerned about the risks that climate changes pose, and they are worried that climate changes will lower their portfolio performance. The Green Impact Exchange's environmental listing requirement will enable investors to distinguish between doers and green washing talkers. Consequently, investors are expected to increase their portfolio weights for Green Impact Exchange listed shares, thereby causing the prices of listed companies' shares to rise, and their costs of capital to fall.

*The Green Impact Exchange:* If a firm chooses to list on the Exchange, all that is required is that it meets the listing requirements and pays the listing fee. And there is an incentive to list. Because of the Exchange's environmental listing requirement, a firm will be prompted to take meaningful steps in the war against climate change, and these steps, as we have noted, will incentivize investors to increase their portfolio weights for the Green Impact Exchange's listed stocks.

The Green Impact Exchange's environmental listing requirement is a free-market solution, and I anticipate that it will work. Why? I have noted two causes of free-market failure: externalities and public goods. With regard to externalities, the Green Impact Exchange's listing requirement will incentivize investors to increase their portfolio weights in the Exchange listed stocks and, as the portfolio managers vote with their investment dollars, the share prices of listed firms will rise. On the other hand, a profit maximizing firm that chooses not to clean up its operations will incur a cost – its share price will be lower than it otherwise could have been. Consequently, a cost that is an externality for a firm will be offset by another cost (a lower share price) that is internalized, and thus a company is more likely to make its operations environmentally friendly in order to list on (and be certified by) the Green Impact Exchange.

Regarding reducing damage to the environment being a public good, the dynamics are much the same as those regarding externalities: damage to the environment hurts portfolio

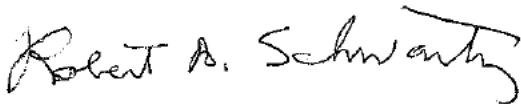
returns, portfolio managers increase their portfolio weights for stocks that better manage the environmental problem, and the Green Impact Exchange's environmental listing requirement certifies companies that have better environmental management. Put it all together and the free market is circumnavigating the public goods problem.

When the Green Impact Exchange opens its doors and starts trading, it will expand the role an exchange plays in our economy. Strikingly, the Exchange will directly affect how goods and services are produced by the listed companies. Both companies and the broader population will benefit.

I thank you very much for this opportunity to express my thoughts about the Green Impact Exchange. If you have any questions about this letter, please let me know. I would be delighted to discuss this further with you.

Please feel free to contact me at robert.schwartz@baruch.cuny.edu or [REDACTED] if you have any questions.

Respectfully Submitted,



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