

MEMORANDUM

TO: File No. S7-17-22

FROM: Nathan Schuur, Senior Counsel, Division of Investment Management

RE: Teleconference with representatives from the Investment Company Institute

DATE: November 30, 2022

On November 28, 2022, staff from the U.S. Securities and Exchange Commission (the “SEC”) held a videoconference with representatives of the Investment Company Institute (“ICI”) and several of its members, including Blackrock, Capital Group, Fidelity, JP Morgan Asset Management, and MFS.

Participants included SEC staff from the Office of the Chair: Mika Morse (Climate Counsel); the Division of Investment Management: Sarah ten Siethoff (Deputy Director), Brian Johnson (Assistant Director), Michael Spratt (Assistant Director), Sara Cortes (Senior Special Counsel), Elena Stojic (Senior Special Counsel), Zeena Abdul-Rahman (Branch Chief), Chris Staley (Branch Chief), Pamela Ellis (Senior Counsel), Robert Holowka (Senior Counsel), Amy Miller (Senior Counsel), Nathan Schuur (Senior Counsel), Samuel Thomas (Senior Counsel), and Matthew Williams (Senior Counsel); and the Division of Economic and Risk Analysis: Yoon-Ho (Alex) Lee (Visiting Scholar) and Cindy Alexander (Senior Financial Economist).

Participants from the ICI and its members included:

- Christopher Cafiero (JP Morgan Asset Management),
- Katie Cohen (Fidelity),
- Dorothy Donohue (ICI),
- Kevin Ercoline (ICI),
- Erica Evans (ICI),
- Jay Herold (MFS),
- Ramon Herrera (Fidelity),
- Jessica Holly (Blackrock),
- Jessica Huang (Blackrock),
- Clara Kang (Capital Group),
- Susan Olson (ICI), and
- Aaron Wasserman (Blackrock).

The participants discussed, among other things, the Commission’s proposal titled *Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices* [Release No. 33-11068; 34-94985; IA-6034; IC-34594], including the information provided by the ICI set forth in Annex A.

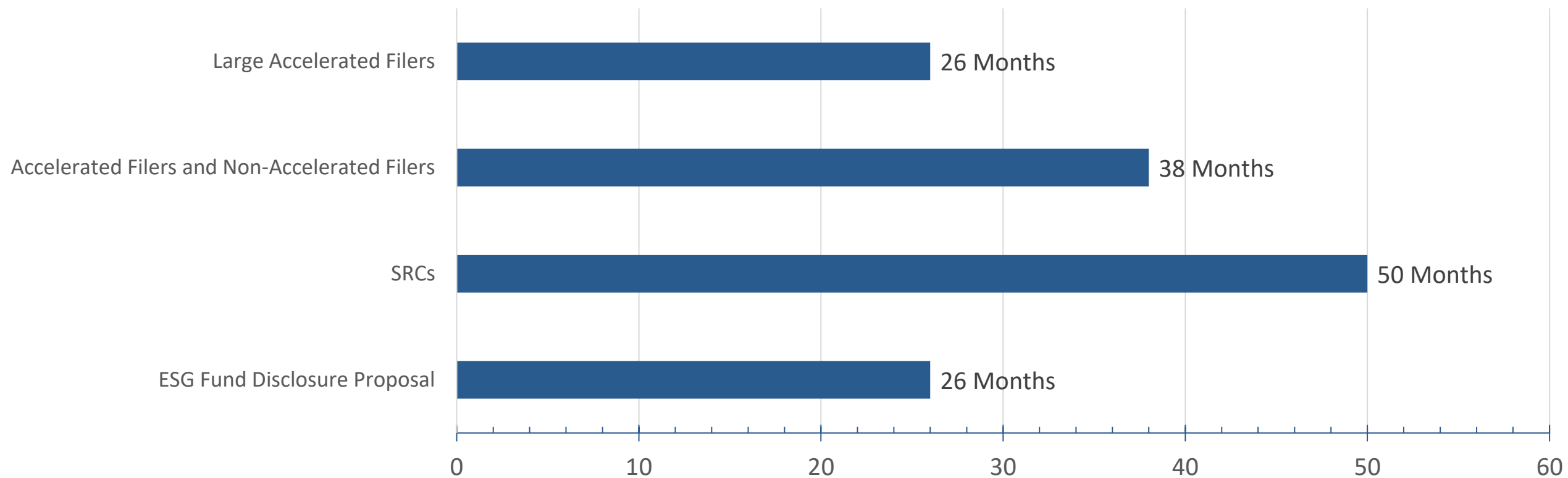
ANNEX A

[Attachment]

November 28, 2022

ICI Estimates of Expected Implementation Dates for ESG Rule Proposals

Estimated Sequencing of Scopes 1&2 GHG Emissions Reporting



■ Scopes 1&2 Reporting Compliance Timeline, Assuming Both the ESG Fund Disclosure Proposal and the Public Company Climate-Related Disclosure Proposal Are Adopted in January 2023 and Each Affected Fund and Company Have Fiscal Year Ends of December 31

Example of Importance of Sequencing

Assumptions for Public Company Reporting of GHG Emissions Data:

- SEC adopts final climate disclosure related rule for public companies in early 2023.
- SEC requires public companies to publish GHG Scopes 1&2 emissions metrics for fiscal years commencing after the effective date of the final climate related disclosure rule.
- SEC provides phased-in approach depending on company size:
 - Large accelerated filers with a 12/31 FYE would first provide Scopes 1&2 emissions data in FY 2024 annual report (published 3/1/2025) and Scope 3 in FY 2025 annual report (published in 3/1/2026).
 - Accelerated filers with 12/31 FYE would first provide Scopes 1&2 emissions data in FY 2025 annual report (published 3/16/2026) and Scope 3 in FY 2026 annual report (published 3/16/2027).
 - Non-accelerated filers with 12/31 FYE would first provide Scopes 1&2 emissions data in FY 2025 annual report (published 3/31/2026) and Scope 3 in FY 2026 annual report (published 3/31/2027).
 - Smaller reporting companies with 12/31 FYE would first provide Scopes 1&2 emissions data in FY 2026 annual report (published 3/31/2027) and are exempt from Scope 3 reporting.

This means that funds may have to report WACI and Carbon Footprint data without access to filed Scopes 1&2 emission data

- Because public company reporting is dependent on company size and the date of the company's fiscal year end, whereas fund reporting would be required as of a date certain, there will be many gaps in the data available to funds for purposes of reporting WACI and carbon footprint.
- Query: Because anything other than Scopes 1&2 emissions data appearing in filed public company annual reports will be less reliable, will the currently proposed sequencing be in the best interests of fund shareholders and markets?
- Further Potential Complication: When will funds have access to public company data in annual reports if the public company rule is challenged and stayed?

ESG Fund Disclosure Proposal: Necessary Procedures to Implement Registration Statement Requirements

- Review and digest adopting release.
- Assess impact to fund complex and triage affected funds.
- Work with product team and build out new compliance testing and reporting mechanisms.
- Obtain internal product approvals.
- Work with outside counsel to draft and implement new disclosure.
- Present modified disclosure and compliance policy changes to Board.
- File new prospectuses with SEC and receive and implement comments.
 - If a significant amount of funds are affected, fund complexes would likely stagger filings, especially as the impact of the Names Rule would have to be considered during this period as well.

ESG Fund Disclosure Proposal Implementation (14 Months for Prospectus Amendments and 20 Months for Annual Report Amendments) and Other Overlapping Implementation Periods

Proposed T+1: March 2024

Tailored Shareholder Report:
July 24, 2024

Final Proxy Voting Rule:
August 31, 2024

Proposed Adviser
Outsourcing: 10 months

Proposed LRM and Swing
Pricing: 12-24 months

Proposed Names Rule:
12 months

Proposed MMF amendments:
12 months (swing pricing,
capacity to process floating
NAV), 6 months (liquidity
changes) and immediate
(removal of fees and gates)

Proposed Fund Cybersecurity
Risk Program