



Municipal Securities Rulemaking Board

AUGUST 2022

# Summary of Responses to the MSRB's Request for Information on ESG Practices in the Municipal Securities Market



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## INTRODUCTION

The Municipal Securities Rulemaking Board (MSRB) issued a Request for Information (RFI) on December 8, 2021, to solicit public input on environmental, social and governance (ESG) practices in the municipal securities market.<sup>1</sup> After a 90-day comment period, the MSRB received 52 responses, representing a broad range of stakeholders including investors; issuers; dealers; municipal advisors; industry associations, working groups, and committees; public policy organizations; ESG verifiers; data service providers; and public officials.<sup>2</sup>

**Figure 1. Public Comments by Stakeholder Type**



Note: Some comment letters included perspectives from multiple stakeholder groups and are therefore included in multiple categories.

## BACKGROUND

Under Section 15B(b)(2) of the Securities Exchange Act of 1934 (the “Exchange Act”), the MSRB’s statutory mandate and mission is to protect investors, municipal issuers and the public interest. As the principal regulator of the \$4 trillion municipal securities market, the MSRB promulgates rules for dealers and municipal advisors designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster regulatory coordination, and remove impediments to and perfect the mechanism of a free and open market.<sup>3</sup>

The MSRB serves as the market’s central repository for municipal securities data and municipal issuer disclosures, providing free access to the general public and market participants through its Electronic Municipal Market Access (EMMA<sup>®</sup>) website. With respect to the issuance of municipal securities, “[n]either the [SEC] nor the [MSRB] is authorized under [the Exchange Act], by rule or regulation, to require any issuer of municipal securities, directly or indirectly through a purchaser or prospective purchaser of securities from the

<sup>1</sup> MSRB Notice 2021-17 (Dec. 8, 2021) (the “RFI”).

<sup>2</sup> See Appendix A for the full list of commenters with links to their comment letters on the MSRB website.

<sup>3</sup> Section 15B(b)(2)(C) of the Exchange Act.

issuer, to file with the [SEC] or the [MSRB] prior to the sale of such securities by the issuer any application, report, or document in connection with the issuance, sale, or distribution of such securities.”<sup>4</sup>

## Purpose of the RFI

The MSRB issued the RFI to further understanding of how ESG practices are being integrated in the municipal securities market and to engage in information-gathering to fulfill its statutory mandate to protect investors, issuers and the public interest.<sup>5</sup> ESG-related factors are of growing importance to certain investors in financial markets, and practices in the municipal securities market with respect to the integration of ESG continue to develop and evolve.<sup>6</sup>

## Distinct ESG Trends and Practices

In addition to inviting perspectives on how the broader trends of ESG practices in the municipal securities market may be impacting issuer protection, investor protection, and the overall fairness and efficiency of the municipal securities market, the MSRB more narrowly invited feedback on the distinct subtopics of (1) the disclosure of information regarding ESG-related risk factors and ESG-related practices (*i.e.*, ESG-related disclosures) and (2) the labeling and marketing of municipal securities with ESG designations (*i.e.*, designated bonds). The RFI noted that industry associations are developing voluntary standards and best practices with respect to ESG-related disclosures and designated bonds, and private vendors are offering ESG-related products and services to municipal market participants,

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<sup>4</sup> Section 15B(d)(1) of the Exchange Act; see also Section 15B(d)(2) of the Exchange Act (providing that “the [MSRB] is not authorized under this title to require any issuer of municipal securities, directly or indirectly through a municipal securities broker, municipal securities dealer, municipal advisor, or otherwise, to furnish to the [MSRB] or to a purchaser or a prospective purchaser of such securities any application, report, document, or information with respect to such issuer”). The MSRB may, however, exercise its statutory authority to require dealers and municipal advisors to submit to the MSRB, investors or prospective investors of municipal securities applications, reports, documents and information with respect to the issuer thereof which are generally available from a source other than the issuer. Section 15B(d)(2) of the Exchange Act.

<sup>5</sup> In this regard, the RFI was categorically different from a request for comment or concept proposal, where the MSRB may seek comment on proposed rule text or a potential regulatory approach to address an identified market harm or inefficiency. An RFI seeks feedback for the limited purpose of further informing the MSRB's ongoing dialogue with stakeholders, not for the specific purpose of advancing its rulemaking objectives.

<sup>6</sup> From time to time, the MSRB has taken action to solicit feedback from market participants on current issues and emerging trends in the municipal securities market. See, e.g., MSRB Notice 2016-11: Request for Comment on a Concept Proposal to Improve Disclosure of Direct Purchases and Bank Loans; MSRB Notice 2018-20: Request for Information on the Accessibility, Methodology, and Utility of Indices, Yield Curves, and Other Benchmarks.

including ESG evaluations, certifications and data to facilitate those disclosures and designations.<sup>7</sup>

Specific to ESG-related disclosures, the RFI noted that investor demand for “sustainable investing” or “impact investing” strategies have drawn greater attention to such disclosures in the municipal securities market. This trend generally includes certain ESG-related disclosures for credit risks that meet the standard of “materiality” as established under federal securities laws, as well as information related to the use of bond proceeds and other non-credit related attributes of the municipal issuer or municipal security.

In terms of designated bonds, a distinct market trend noted in the RFI is the evolving practice of labeling and marketing municipal securities with certain designations, such as green bonds, social bonds or sustainability bonds.

## SUMMARY OF RESPONSES

The comment letters represented a broad and diverse set of perspectives. This report provides a summary of comments received, synthesizing the diversity of viewpoints according to three broad themes:



The observations contained in this summary are based solely on the comments received in response to the RFI and do not necessarily represent the views or opinions of the MSRB.

### 1 ESG Practices in the Municipal Securities Market

There was general consensus among commenters that ESG practices in the municipal securities market are still evolving. Many commenters noted that market-based solutions are still emerging and, as a result, premature regulatory action could inhibit further development of best practices.

<sup>7</sup> See RFI, at 2-4.

### ***ESG practices are still evolving.***

One area of consensus among the commenters was the observation that ESG practices in the municipal securities market are still evolving. A working group of nine industry associations stated, "ESG risk-based disclosures and designated bonds are important but relatively new conversations in the marketplace. Even our own groups are challenged with the definitions and understanding of these matters."<sup>8</sup> A member of that working group representing municipal analysts separately stated that "industry practices, bond products, costs, regulatory expectations, social norms, international standards, and technology in this inherently complex and often personal and subjective ESG finance market are rapidly evolving ...."<sup>9</sup> An institutional investor noted that "over the last decade we have observed a dramatic increase in the focus on climate issues from our clients."<sup>10</sup> Another institutional investor stated, "To the extent that there is a lack of industry consensus on which ESG-related data and metrics issuers should disclose, we believe it is likely due in part to the fact that ESG disclosure is still a rapidly evolving area ...."<sup>11</sup>

An industry association representing registered investment companies (*i.e.*, funds) stated, "In the diverse and complex municipal securities market, ESG practices vary significantly and continue to evolve."<sup>12</sup> The association further stated, "Due in part to its fragmented and diverse nature, practices in the municipal securities market, are at a much earlier stage of development."<sup>13</sup> An industry association representing bond lawyers commented that "the ESG-Labeled Bond market remains a relatively young market.... [T]he standards for labeling bonds—including what attributes of the offering merit a particular label, what information should be required in the offering document, and what should be the issuer's ongoing reporting commitments—continue to evolve."<sup>14</sup> An institutional investor stated, "Over the past decade, the integration of ESG factors into investment analysis and decision-making has become widespread in the public equities and corporate taxable fixed income markets. The municipal securities market, on the other hand, has been slower to adopt ESG integration as a common practice. There are several reasons for this disparity, in our view—but we believe the primary driver of this gap is a lack of quality ESG data from municipal issuers."<sup>15</sup>

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<sup>8</sup> Disclosure Industry Workgroup (March 8, 2022) at 2 (hereinafter "DIG Letter").

<sup>9</sup> National Federation of Municipal Analysts, Letter from Lisa S. Good (March 8, 2022) at 2 (hereinafter "NFMA Letter").

<sup>10</sup> PIMCO, Letter from David Hammer (March 4, 2022), at 1.

<sup>11</sup> Teachers Insurance and Annuity Association of America, Letter from Amy M. O'Brien (March 8, 2022) at 7 (hereinafter "TIAA Letter").

<sup>12</sup> Investment Company Institute, Letter from Dorothy Donohue (March 8, 2022) at 1 (hereinafter "ICI Letter").

<sup>13</sup> ICI Letter at 5.

<sup>14</sup> National Association of Bond Lawyers, Letter from Ann D. Fillingham (March 7, 2022) at 4 (hereinafter "NABL Letter").

<sup>15</sup> TIAA Letter at 2.

### ***Market-based solutions are emerging.***

Consistent with the theme that ESG practices are still evolving, a number of commenters also noted the emergence of market-based solutions in response to ESG considerations. An industry association representing municipal issuers noted its recent publication of “ESG Risk Disclosure Best Practices,” which provide “a framework for issuers to use to deliberately determine how each ESG factor could potentially affect creditworthiness or its ability to repay its debt.”<sup>16</sup> The association also noted its publication of a “Voluntary Disclosure” best practice and stated its belief that the “ESG and Voluntary Disclosure Best Practices will lead to more and better information available to the marketplace regarding ESG.”<sup>17</sup> Referencing this association’s best practices, a municipal issuer separately stated that “[the] market-based approach to good municipal disclosure will generate better disclosure language and approaches than any ‘standardized’ requirement.”<sup>18</sup> An industry association representing dealers similarly commented that its preferred approach “would be to allow the issuers the ability to tailor disclosures in a way that discusses risks or other factors that are material—including any factors that may fall under the broad bucket of ESG.”<sup>19</sup>

In support of market-based solutions, an institutional investor stated that “these voluntary market-based initiatives are positive for the market.”<sup>20</sup> A municipal advisor stated that “the adoption of current market-based initiatives will continue to grow and that new industry-led developments will emerge, all contributing to a natural and voluntary evolution of enhanced transparency in the municipal market.”<sup>21</sup> The same municipal advisor commented, “By being transparent and voluntary, the market-based initiatives that are becoming commonplace in the municipal securities market (for both ESG-labeled bonds and ESG-related disclosure) accommodate multiple perspectives on the definition of ESG.”<sup>22</sup> An industry association representing municipal analysts stated that “some level of standardization regarding material ESG risks can be attained with continued industry collaboration.”<sup>23</sup>

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<sup>16</sup> Government Finance Officers Association, Letter from Emily Swenson Brock (March 8, 2022) at 2 (hereinafter “GFOA Letter”).

<sup>17</sup> GFOA Letter at 2.

<sup>18</sup> State of Wisconsin, Department of Administration, Letter from David R. Erdman (March 8, 2022) at 2 (hereinafter “State of Wisconsin Letter”); see also, e.g., letter from the City of Detroit (undated and unsigned) (stating “[v]oluntary disclosures make the most sense for the municipal market”), at 1.

<sup>19</sup> American Securities Association, Letter from Christopher A. Iacovella (March 8, 2022) at 3 (hereinafter “ASA Letter”).

<sup>20</sup> Lord Abbett & Co. LLC, Letter from Daniel S. Solender at 4 (hereinafter “Lord Abbett Letter”).

<sup>21</sup> PFM Financial Advisors, Letter from Cheryl Maddox (March 7, 2022) at 6 (hereinafter “PFM Letter”).

<sup>22</sup> PFM Letter at 3.

<sup>23</sup> NFMA Letter at 3.

The working group stated, "Industry participants need to work together as these issues mature to address many of the topics discussed in the request for information ...."<sup>24</sup> A member of the group representing municipal advisors separately stated, "Market-based solutions and working groups should be given the time to find the right answers to ESG factors and needs ...."<sup>25</sup> In contrast, a public policy organization stated that "the existing market-based solution, premised on increased use of voluntary disclosure posted in an unstructured format, lacks the necessary completeness, standardization, data, accessibility, and reporting timeliness for the market to function efficiently."<sup>26</sup>

### **Regulatory action is premature.**

A number of commenters cautioned against premature regulatory action by the MSRB with respect to ESG. An industry association representing bond lawyers stated, "Regulation or standardization is premature, may be cost-prohibitive for small issuers, and could hamper the market's ability to address emerging ESG concerns."<sup>27</sup> An industry association representing municipal analysts stated, "To reconcile differing opinions, legislative and regulatory actions may be appropriate in the future. Yet, at this juncture, we view such actions as extreme and often not optimal, as such directives tend to be inflexible, set bare-minimum standards instead of best practices, and introduce unnecessary compliance costs throughout the system."<sup>28</sup>

A municipal issuer stated that "Best Practices and other industry-led initiatives on this topic should be given time to work prior to creating standards or 'uniform metrics' that may serve to confuse or limit meaningful ESG risk disclosures."<sup>29</sup> An industry association representing bank dealers stated that "market participants need additional collaboration and engagement with the Commission and other financial regulators to address climate and other environmental metrics."<sup>30</sup> A municipal advisor indicated that "the potential for regulation of ESG-labeled bonds and/or ESG-related disclosure will result in the imposition of additional direct and indirect costs on issuers."<sup>31</sup> A municipal issuer stated, "Regulations focused on ESG matters will quickly diminish the interest and feasibility of issuer's expanded participation in designated bonds and other ESG-related activities."<sup>32</sup>

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<sup>24</sup> DIG Letter at 2.

<sup>25</sup> National Association of Municipal Advisors, Letter from Susan Gaffney (March 8, 2022) at 1 (hereinafter "NAMA Letter").

<sup>26</sup> Ceres Accelerator for Sustainable Capital Markets, Letter from Steven M. Rothstein (March 2, 2022) at 13 (hereinafter "Ceres Letter").

<sup>27</sup> NABL Letter at 4.

<sup>28</sup> NFMA Letter at 1-2.

<sup>29</sup> State of Florida, Division of Bond Finance (March 8, 2022) at 2 (hereinafter "State of Florida Letter").

<sup>30</sup> American Bankers Association, letter from Justin Underwood (March 8, 2022) at 3.

<sup>31</sup> PFM Letter at 2.

<sup>32</sup> State of Wisconsin Letter at 1.



An industry association representing dealers stated, "Premature regulatory action in markets still in their infancy, such as the ESG market, may unintentionally impede their growth."<sup>33</sup> Another industry association representing dealers stated, "While there is often a temptation amongst regulators to step in and mandate uniform rules when market-based standards sometimes differ from one another, the SEC and MSRB should avoid this approach."<sup>34</sup>

## 2 Challenges Associated with ESG Integration in the Municipal Securities Market

Commenters stated that the evolving nature of ESG integration in the municipal securities market posed certain challenges for market participants. These challenges included the lack of ESG standards and uniform practices and the potential harm to investors and issuers, as well as potential regulatory compliance challenges for dealers and municipal advisors.

### *There is a lack of ESG standards and uniform practices.*

Several commenters noted the risk of confusion associated with the lack of ESG standards and uniform practices. A public policy organization stated that "the current criteria for ESG labelling and disclosure can allow for issuer and investor confusion."<sup>35</sup> Another public policy organization stated, "Without a common language, market participants often talk past each other."<sup>36</sup> The same organization further observed that the challenges associated with risk disclosures and bond labeling are distinct, noting that "[s]ome investors care primarily about what ESG factors say about risks and their influence on returns, while others focus on how those factors can measure impact. Unfortunately, the same set of data and reporting doesn't necessarily assist both risk analysis and impact measurement."<sup>37</sup>

A public policy organization stated, "The growth in investor demand for securities with positive ESG attributes has outpaced regulatory requirements, leading to two separate challenges. First, issuers are not providing adequate risk disclosures.... Second, and equally problematic, many municipal bonds are labeled as green, sustainable, or ESG based on frameworks that do not include environmental performance standards grounded in climate science or environmental justice performance standards developed through robust community input."<sup>38</sup> A data service provider stated, "One of the greatest challenges for

<sup>33</sup> Securities Industry and Financial Markets Association, Letter from Leslie M. Norwood (March 8, 2022) at 2 (hereinafter "SIFMA Letter").

<sup>34</sup> ASA Letter at 3.

<sup>35</sup> Principles for Responsible Investment, Letter from Greg Hershman (March 8, 2022) at 3.

<sup>36</sup> Milken Institute Center for Financial Markets, Letter from Dan Carol and Caitlin MacLean (March 8, 2022) at 2 (hereinafter "Milken Letter").

<sup>37</sup> Milken Letter at 2.

<sup>38</sup> Center for American Progress, Letter from Alexandra Thornton and Kevin DeGood, (March 8, 2022) at 1.

market participants and regulators globally is the lack of publicly available, mandatory, and globally consistent reporting standards."<sup>39</sup>

Some commenters raised risks related to information gaps and asymmetries for investors, particularly with respect to individual retail investors. An institutional investor stated that "many municipal securities investors lack access to the type of ESG-related data they need from issuers to make fully informed investment decisions."<sup>40</sup> An industry association representing municipal advisors said, "There is confusion regarding ESG information for labeled bonds and ESG issuer disclosures, and retail investors are the least likely market participant to have the information and knowledge to differentiate among the different types of information presented."<sup>41</sup> An institutional investor stated that "with fewer resources and less understanding, individual investors are more likely to assume that 'green' or 'social' labels are being assigned based upon a uniform and regulated set of principles."<sup>42</sup> A municipal advisor stated that "there is current inequity between issuers and investors in accessing quantitative ESG risk assessment data."<sup>43</sup>

On the topic of systemic risk, one institutional investor noted that "there is a wide disparity in the availability and quality of sustainability disclosures among fixed income issuers, especially on systemic risks such as climate change, community impacts, and racial justice."<sup>44</sup> In contrast, an industry association representing municipal issuers stated, "We do not believe that there are any ESG factors that pose a systemic risk specifically to the municipal market."<sup>45</sup> Another institutional investor stated that "the biggest challenges to-date have been quantification of risk (whether environmental or social) as well as standardization of the information given. While some issuers have the resources to report on these risks, reporting is inconsistent between issuers. In addition, smaller issuers often times lack the same capabilities, leaving investors with less information to evaluate. This leads to challenges, especially when trying to make relative comparisons amongst investment opportunities."<sup>46</sup>

With respect to ESG verification, an industry association representing dealers commented, "Various certification services, standard-setters, and credit rating agencies all use different criteria and processes to determine what a municipality's ESG 'score' may be or how ESG topics factor into a municipality's credit rating."<sup>47</sup> A public policy organization stated that "the proliferation of inconsistent approaches and frameworks can further exacerbate market fragmentation and lead to systemic risks that threaten market structure, potentially creating disruptions that impact bond pricing in the secondary and primary market—impacting

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<sup>39</sup> Bloomberg L.P., Letter from Gregory Babyak (March 8, 2022) at 1.

<sup>40</sup> TIAA Letter at 3.

<sup>41</sup> NAMA Letter at 4.

<sup>42</sup> Lord Abbett Letter at 4.

<sup>43</sup> PFM Letter at 6.

<sup>44</sup> Domini Impact Investments LLC, Letter from Mary Beth Gallagher (March 8, 2022) at 3.

<sup>45</sup> GFOA Letter at 5.

<sup>46</sup> Goldman Sachs at 2.

<sup>47</sup> ASA Letter at 3.

the economic return and costs of capital expectations issuers and investors rely on in transactions."<sup>48</sup> An issuer stated, "Having inquired about a 'Green' designation with our prior bond issuance, our conclusion was that there were competing and sometimes conflicting standards."<sup>49</sup> An industry association representing dealers concluded that the lack of uniform standards has "increased the risk the public will be misled."<sup>50</sup>

While commenters were in general agreement about the lack of ESG standards and uniform practices, market participants were divided on whether increased standardization or uniformity would benefit the market. An industry association representing municipal issuers stated, "Uniform ESG disclosure standards or metrics will not improve investor protections or increase available, meaningful information for investors."<sup>51</sup> In contrast, an issuer stated that "definitions and categories of what is being reported should be standardized to enable investors to make direct comparisons between the data."<sup>52</sup> Another issuer stated, "While there is no one-size-fits-all approach, clearer standards as to what constitutes 'green' or other ESG-labeled bonds could provide more clarity to issuers, improve investor acceptance, and potentially lead to a pricing advantage for these bonds."<sup>53</sup>

Commenters were also divided on the potential benefits to market efficiency. An institutional investor stated, "Standardized ESG disclosures would also promote a more efficient municipal market."<sup>54</sup> In contrast, a municipal issuer suggested that "[t]he largest risk is the threat of mandatory ESG disclosure standards which could impair the efficient operation of the municipal market."<sup>55</sup> A joint comment letter signed by a number of public officials noted, "Because the cost of disclosures typically does not depend significantly on the size of the offering, requiring additional securities disclosures would raise the per-dollar cost of funding for small offerings, again penalizing small communities."<sup>56</sup>

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<sup>48</sup> Public Finance Initiative, Letter from Lourdes German (March 8, 2022) at 6.

<sup>49</sup> Lansing Board of Water & Light, Letter from Heather Shawa (March 3, 2022) at 1.

<sup>50</sup> ASA Letter at 2.

<sup>51</sup> GFOA Letter at 5.

<sup>52</sup> New Jersey Infrastructure Bank (March 8, 2022) at 3 (hereinafter "New Jersey I-Bank Letter").

<sup>53</sup> City of New York, Office of the Comptroller at 1 (March 7, 2022).

<sup>54</sup> Breckinridge Capital Advisors, Letter from Adam Stern (February 7, 2022) at 3.

<sup>55</sup> State of Florida Letter at 3; see also, e.g., New York City Housing Development Corporation, letter from Ellen K. Duffy (undated), at 1 ("It is difficult to have all ESG-Related Disclosures standardized because different sectors have different criteria and objectives.")

<sup>56</sup> Utah State Treasurer et al. (March 8, 2022) at 5.

## **ESG poses regulatory compliance challenges.**

Regulated entities raised several potential regulatory compliance challenges posed by the evolving nature of ESG integration in the municipal securities market.

On the practice of labeling or designating bond deals, a municipal advisor commented that "there are some unique challenges presented by ESG-Labeled Bonds for a municipal advisor.... Perhaps, the largest challenge is finding measurable ways to demonstrate the value of the designation. With limited available data to link a pricing differential to ESG-Labeled Bonds, it is more challenging to explain tangible market benefits to the designation."<sup>57</sup> An industry association representing dealers commented that "[u]nderwriting ESG-labeled bonds could raise unique and challenging compliance issues, including with respect to diligence duties.... Dealers are bound to have a reasonable basis to believe the truthfulness of statements made by issuers in the context of bond sales."<sup>58</sup> In contrast, another municipal advisor stated that "ESG-labeled bonds raise no broad novel compliance issues under the current regulatory construct."<sup>59</sup>

On the priority of orders in primary offerings, an industry association representing dealers commented that "we are beginning to see order priority granted to 'ESG investors' on some transactions as well. We believe this trend has the potential to be an even more troublesome enforcement issue than retail order periods. There is no standard definition of ESG investor, and issuer definitions may not be adequate to distinguish among customers. Issuer definitions can vary from deal to deal even with the same issuer. This raises thorny compliance questions regarding, for example, the action that dealer should take if prioritizing ESG orders causes the issue to price worse for the issuer than marketing to general investors."<sup>60</sup> Another industry association representing dealers noted that "[i]ssuers are free to structure the priority of orders in any manner that they see fit in light of their goals and objectives, including potentially prioritizing ESG or other types of investors.... The ability of an underwriter to rely on an investor's statements, without further examination and review, would be necessary to mitigate compliance risks."<sup>61</sup>

On secondary market trading, an industry association representing dealers noted, "An ESG designation applied at issuance could be stale or even inaccurate at the time of trade. Dealers quoting and trading ESG bonds in the secondary market have no way of knowing whether a bond still meets ESG standards years after issuance."<sup>62</sup>

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<sup>57</sup> Baker Tilly Municipal Advisors, LLC, Letter from BTMA Leadership Team (March 8, 2022) at 1.

<sup>58</sup> Bond Dealers of America, Letter from Michael Decker (March 8, 2022) at 2 (hereinafter "BDA Letter").

<sup>59</sup> PFM Letter at 4.

<sup>60</sup> BDA Letter at 3.

<sup>61</sup> SIFMA Letter at 4-5.

<sup>62</sup> BDA Letter at 3.

### 3 Suggestions for Improving Market Transparency of ESG through the EMMA Website

There was strong consensus among commenters that many of the challenges resulting from ESG integration in the municipal securities market could be approached in the first instance through enhancements to the MSRB's EMMA website.<sup>63</sup> The working group suggested that the MSRB "improve EMMA and allow for disclosures to be readily entered and accessed. We cannot emphasize enough our consensus on this point and the need for general EMMA improvements to occur."<sup>64</sup> A member of the group representing municipal issuers reiterated that "[t]he MSRB should focus its efforts to ensure that the EMMA system is easily accessible for the submission and retrieval of disclosure information, including voluntary ESG information."<sup>65</sup> Another member of the group representing dealers suggested, "Improvements to the EMMA website could include clarifying any issuer self-designations, adding in specifics regarding any external review, removing any confusing labels, and focusing on objective and standardized ESG-labels."<sup>66</sup>

A public policy organization recommended that "the MSRB consider changes to its EMMA platform to facilitate more transparency on these matters and make ESG-related information and documentation provided by issuers easier to locate."<sup>67</sup> The same commenter further said, "The MSRB should update EMMA to make it easier for issuers to post more detailed and machine-readable disclosures around climate emissions, climate risk, and other ESG factors, as well as documents providing evidence of verification by third parties."<sup>68</sup>

An industry association representing dealers recommended that the MSRB "identify third-party verifiers/designators and publish information about them on EMMA, including a description of the standards they apply to designating investments."<sup>69</sup> Similarly, an ESG verifier commented that the MSRB should "consider maintaining a database of third-party verification programs and their standards, which will help investors and issuers understand their options and select the provider that makes the most sense for their needs."<sup>70</sup> Another ESG verifier said, "The MSRB could help level the playing field by making available a

<sup>63</sup> In addition to expressing support for the MSRB's efforts to improve market transparency in general, many commenters expressed their support of the EMMA website in particular. For example, one municipal issuer wrote, "The author of this letter has publicly stated that the EMMA system is the best thing since the Green Bay Packers." State of Wisconsin Letter at 2.

<sup>64</sup> DIG Letter at 3.

<sup>65</sup> GFOA Letter at 5.

<sup>66</sup> SIFMA Letter at 5.

<sup>67</sup> CAP Letter at 2.

<sup>68</sup> CAP Letter at 5.

<sup>69</sup> BDA Letter at 3.

<sup>70</sup> Build America Mutual, Letter from Laura Levinstein (March 8, 2022) at 3.

single source of data for assessing physical climate risks.”<sup>71</sup> The verifier further stated, “By coordinating the adoption of a new dimension of analysis, namely the incorporation of climate risk into pricing, the MSRB can serve the market and protect financial stability.”<sup>72</sup>

At the same time, there was a range of opinions from municipal issuers on how the MSRB could enhance certain functionality of the EMMA website. One industry association representing municipal issuers suggested that “[s]ome investors are looking for specific categories on EMMA to file ESG disclosures. While this would allow issuers—the party that should be controlling the information about their credits and issuances—to file specific disclosures related to ESG factors, it could quickly lead to confusion on ‘where’ in the EMMA system one can most quickly find information related to a credit.”<sup>73</sup> One issuer suggested that “[a] search filter directing investors to ESG Bonds on the EMMA website would enhance access to information and efficiency.”<sup>74</sup> Another issuer stated that “any future updates on search functionality and improved issuer customizations will assist in providing additional market transparency.”<sup>75</sup>

A committee of market participants recommended that the MSRB “[i]nclude specific functionality on the EMMA platform to enable issuers, on an optional basis, to provide information relating to climate risk and mitigation to investors seeking such data.... Therefore, we suggest adding any verification documentation under Operating Filing(s), and add any ESG information disclosed after issuance, under Event Filing(s), on an optional basis.”<sup>76</sup>

With respect to overall market transparency, one public policy organization stated, “When investors do not understand what is happening in a particular market, they withdraw their capital and look for safe havens. Stated differently, capital markets rely on steady investor demand to provide liquidity. Investor demand in turn relies on accurate pricing. Accurate pricing relies in turn on effective risk assessment. And effective risk assessment relies in turn on transparency and comprehensive disclosures.”<sup>77</sup> The committee of market participants stated, “Greater transparency can be expected to produce more efficient markets and refined pricing of municipal bonds, to the benefit of issuers and investors alike.”<sup>78</sup>

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<sup>71</sup> Kestrel 360, Inc., Letter from Monica Reid (March 2022) at 7 (hereinafter “Kestrel 360 Letter”).

<sup>72</sup> Kestrel 360 Letter at 18.

<sup>73</sup> GFOA Letter at 7.

<sup>74</sup> New Jersey I-Bank Letter at 4.

<sup>75</sup> City of San Diego Debt Management, Letter from Lakshmi Kommi (March 9, 2022) at 4.

<sup>76</sup> California Green Bond Market Development Committee, Letter from David Woodley, Cecilia Latapi, and Michael Papanian (March 8, 2022) at 7 (hereinafter “CGBMDC Letter”).

<sup>77</sup> Ceres Letter at 2.

<sup>78</sup> CGBMDC Letter at 9.

## CONCLUSION

The MSRB issued the RFI to further understanding of how ESG practices are being integrated in the municipal securities market and to engage in information-gathering to fulfill its statutory mandate to protect investors, issuers and the public interest. The MSRB acknowledges and appreciates the robust response from the 52 commenters. The comments received provide a broad range of perspectives from across the municipal securities market. The MSRB and the market as a whole benefit from a deeper understanding of the information and views expressed in the comment letters. The MSRB will continue to monitor and engage with the broader market on understanding emerging ESG practices and their implications for market fairness, efficiency, and transparency.

## APPENDIX A: LIST OF COMMENT LETTERS RECEIVED

The full text of each letter is available on [MSRB.org](https://www.msrb.org).

1. [1919 Investment Counsel, LLC](#): Letter from Robert Fisher, Vice President, Credit Analyst - Municipal
2. [AGVP Advisory](#): Email from Dan Aschenbach dated January 18, 2022
3. [American Bankers Association](#): Letter from Justin M. Underwood, Executive Director, ABASA, Vice President, Banking Policy, dated March 8, 2022
4. [American Securities Association](#): Letter from Christopher A. Iacovella, Chief Executive Officer, dated March 8, 2022
5. [Anonymous](#): Email dated February 21, 2022
6. [Baker Tilly Municipal Advisors, LLC](#): Letter from the BTMA Disclosure Leadership Team: Brian Colton, Susan Reed and Alyssa Glaser, dated March 8, 2022
7. [Bloomberg L.P.](#): Letter from Gregory Babyak, Global Head of Regulatory Affairs, dated March 8, 2022
8. [Bond Dealers of America](#): Letter from Michael Decker, Senior Vice President, dated March 8, 2022
9. [Breckinridge Capital Advisors, Inc.](#): Letter from Adam Stern, Co-Head of Research, dated February 7, 2022
10. [Build America Mutual](#): Letter from Laura Levenstein, Chief Risk Officer, and Michael Stanton, Head of Strategy & Communications, dated March 8, 2022
11. [California Green Bond Market Development Committee \(CGBMDC\)](#): Letter from David Wooley, Cecilia Latapi, and Michael Paparian, Secretariat for CGBMDC, dated March 8, 2022
12. [Center for American Progress](#): Letter from Alexandra Thornton, Senior Director, Tax Policy, and Kevin DeGood, Director, Infrastructure Policy, dated March 8, 2022
13. [Ceres and the Ceres Accelerator for Sustainable Capital Markets](#): Letter from Steven M. Rothstein, Managing Director, and Jim Scott, Senior Advisor, Financial Institutions, dated March 2, 2022
14. [City of Detroit](#): Letter
15. [City of New York, Office of the Comptroller](#): Letter from Marjorie E. Henning, Deputy Comptroller for Public Finance, dated March 7, 2022
16. [City of San Diego, Debt Management](#): Letter from Lakshmi Kommi, Debt Management Director, dated March 9, 2022



17. [Climate Resilience Consulting](#): Email from Joyce Coffee dated December 17, 2021
18. [Community Capital Management, LLC](#): Letter from Julie Egan, Director of Research/ Portfolio Manager
19. [Consumer Federation of America](#): Letter from Dylan Bruce, Financial Services Counsel, dated March 14, 2022
20. [Disclosure Industry Workgroup](#): Letter dated March 8, 2022
21. [Domini Impact Investments LLC](#): Letter from Mary Beth Gallagher, Director of Engagement, dated March 8, 2022
22. [Goldman Sachs](#): Letter
23. [Government Finance Officers Association](#): Letter from Emily Swenson Brock, Director, Federal Liaison Center, dated March 8, 2022
24. [Intercontinental Exchange, Inc.](#): Letter from Anthony Belcher, Vice President, Sustainable Finance, dated March 14, 2022
25. [Investment Company Institute](#): Letter from Dorothy Donohue, Deputy General Counsel - Securities Regulation, dated March 8, 2022
26. [ISS ESG](#): Letter from Maximilian Horster, Head of ISS ESG Business, and John McLean, ISS ESG, Muni QualityScore, dated March 8, 2022
27. [Kestrel 360, Inc.](#): Letter from Monica Reid, CEO and Founder, dated March 2022
28. [Lansing Board of Water & Light](#): Email from Heather Shawa, dated March 3, 2022
29. [Large Public Power Council](#): Letter from John Di Stasio, President, dated March 22, 2022
30. [Lord Abbett & Co. LLC](#): Letter from Daniel S. Solender, Partner and Director of Tax Free Fixed Income
31. [Ludvigsen, Phillip J.](#): Letter
32. [MacKay Shields](#): Letter
33. [McIntyre, James](#): Letter dated March 8, 2022
34. [Milken Institute Center for Financial Markets](#): Letter from Dan Carol, Senior Director, Milken Institute Center for Financial Markets, and Caitlin MacLean, Senior Director, Innovative Finance, Milken Institute, and members of the Milken Institute Public Finance Advisory Council, dated March 8, 2022
35. [National Association of Bond Lawyers](#): Letter from Ann D. Fillingham, President, dated March 7, 2022
36. [National Association of College and University Business Officers](#): Letter from Elizabeth L. Clark, Vice President, Policy and Research, dated March 8, 2022

37. [National Association of Health and Educational Facilities Finance Authorities](#): Letter from Dennis Reilly, President, and Charles Samuels, of Counsel, dated March 7, 2022
38. [National Association of Municipal Advisors](#): Letter from Susan Gaffney, Executive Director, dated March 8, 2022
39. [National Federation of Municipal Analysts](#): Letter from Lisa S. Good dated March 8, 2022
40. [New Jersey Infrastructure Bank](#): Letter dated March 8, 2022
41. [New York City Housing Development Corporation](#): Letter from Ellen K. Duffy, EVP Debt Issuance & Finance
42. [PFM Financial Advisors, LLC](#): Letter from Cheryl Maddox, Chief Legal and Compliance Officer, and Daniel Hartman, Chief Executive Officer, dated March 7, 2022
43. [PIMCO](#): Letter from David Hammer, Managing Director and Head of Municipal Bond Portfolio Management, dated March 4, 2022\
44. [Principles for Responsible Investment](#): Letter from Greg Hershman, Head of US Policy, dated March 8, 2022
45. [Public Finance Initiative](#): Letter from Lourdes German, Executive Director, dated March 8, 2022
46. [San Francisco Public Utilities Commission](#): Letter
47. [Securities Industry and Financial Markets Association](#): Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated March 8, 2022
48. [Sperry Capital Inc.](#): Letter from Bryant Jenkins, Principal, dated March 8, 2022
49. [State of Florida, Division of Bond Finance](#): Letter dated March 8, 2022
50. [State of Wisconsin, Department of Administration](#): Letter from David R. Erdman, Capital Finance Director, dated March 8, 2022
51. [TIAA](#): Letter from Amy M. O'Brien, Executive Vice President, Head of Responsible Investment, and Yves P. Denize, Senior Managing Director, Division General Counsel, dated March 8, 2022
52. [Utah State Treasurer et al.](#): Letter dated March 8, 2022

## ABOUT THE MSRB

The Municipal Securities Rulemaking Board (MSRB) protects and strengthens the municipal bond market, enabling access to capital, economic growth, and societal progress in tens of thousands of communities across the country. The MSRB fulfills this mission by creating trust in our market through informed regulation of dealers and municipal advisors that protects investors, issuers and the public interest; building technology systems that power our market and provide transparency for issuers, institutions, and the investing public; and serving as the steward of market data that empowers better decisions and fuels innovation for the future. The MSRB is a self-regulatory organization governed by a board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is overseen by the Securities and Exchange Commission and Congress.



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