



June 17, 2024

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair Gensler,

The U.S. Chamber of Commerce writes regarding recent correspondence to you from several Members of Congress, dated June 4, 2024, calling on the Securities and Exchange Commission (SEC) to release “a statement to remind registrants that covered U.S. companies that are subject to alternative climate reporting regimes, such as those in California or the [European Union] or those promulgated by the [International Sustainability Standards Board], must comply with those reporting regimes.”¹ Such a statement by SEC would be imprudent and unprecedented.

Appropriately, SEC does not regularly publish notices to SEC registrants advising them to comply with other laws and regulations outside its remit, namely U.S. federal securities law. There is no mandate in the SEC’s authorizing statutes or precedent in the SEC’s 90-year history to do so. Nor is there any reason to single out a certain subset of regulations from among the other treaties, statutes, rules, regulations, interpretations, or other pronouncements at the federal, state, local and international levels. SEC staff does not appear to have the bandwidth to track such measures;² tasking them with doing so would entail redirecting staff time away from the Commission’s core responsibilities.

Singling out California, EU and ISSB measures concerning climate reporting would be both premature and confusing to SEC registrants. The Chamber is among the parties currently challenging the legality of California’s recently enacted climate-reporting legislation. The California legislation suffers from significant constitutional and other infirmities and is unlikely to pass legal muster.

¹ The entire letter is available here: https://www.warren.senate.gov/imo/media/doc/final_warren_waters_letter_to_sec_re_climate_risk_disclosure_rule.pdf.

² Indeed, a report from the SEC’s Inspector General highlighted concerns from managers in numerous SEC divisions that the Commission’s current “more aggressive [rulemaking] agenda” has “limit[ed] the time available for staff research and analysis.” Further, the staff has also been rendered shorthanded, and thus has been “relying on detailees, in some cases with little or no experience in rulemaking.” In short, the SEC staff is already stretched thin managing its own rules and regulations. See: The Inspector General’s Statement on the SEC’s Management and Performance Challenges 3 (Oct. 13, 2022), <https://www.sec.gov/files/inspector-generals-statement-sec-mgmt-and-perf-challenges-october-2022.pdf>.

Compliance with the EU Corporate Sustainability Reporting Directive is similarly problematic for non-EU companies. Depending on various triggering thresholds, first reports are not due until 2025, with many non-EU companies not required to report until as late as 2029. Moreover, the European Council has delayed the target date for publication of supplemental reporting standards for non-EU companies until June 30, 2026. Urging US companies to comply with EU standards now would be premature at best.

And, the ISSB Universal Baseline for disclosure is expected to produce disclosure standards for use in International Financial Reporting Standards, or IFRS. U.S. domestic registrants are not permitted to use IFRS in the preparation of their financial statements for inclusion in periodic SEC reports. Thus, it seems irrelevant to the Commission's supervision to alert U.S. registrants to standards that clearly do not apply to them.

In sum, the Chamber believes the best public policy is for the SEC to remain focused on statutes and regulations within its jurisdiction and to defer to other regulators around the world to enforce their own rules. The Chamber appreciates your attention to these concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Quaadman', with a long horizontal flourish extending to the right.

Tom Quaadman
Executive Vice President
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce