

**MEMO# 31629**

February 25, 2019

# ICI Draft Comment Letter to SEC on Proxy Voting: Comments Due by March 5

[31629]

February 25, 2019 TO: Chief Compliance Officer Committee  
Compliance Advisory Committee  
Investment Advisers Committee  
Operations Committee  
SEC Rules Committee  
Small Funds Committee  
Transfer Agent Advisory Committee RE: ICI Draft Comment Letter to SEC on Proxy Voting:  
Comments Due by March 5

In 2018, proxy voting policy matters took on increased importance at the SEC. The SEC hosted a Proxy Roundtable<sup>[1]</sup> in November, and Chairman Clayton's December testimony to Congress<sup>[2]</sup> made clear that the Commission is considering reforms related to:

- The role of proxy advisory firms;
- The shareholder proposal process; and
- Proxy voting mechanics and technology (or more colloquially, "proxy plumbing").

The SEC currently is soliciting comment on proxy voting matters, and ICI intends to submit a comment letter in response.<sup>[3]</sup> **Attached below is ICI's draft letter; please provide any comments to us ([matt.thornton@ici.org](mailto:matt.thornton@ici.org)) by Tuesday, March 5 (COB).**

## Summary of ICI's Draft Comment Letter

ICI's draft letter addresses the three broad topics listed above. It points out that proxy voting is important to regulated funds in their dual roles as institutional investors and issuers. As institutional investors, regulated funds have specific proxy voting responsibilities with respect to their portfolio securities. As issuers, regulated funds prepare proxy solicitation materials in connection with meetings of their shareholders and experience all of the challenges that accompany that process. We believe the SEC's review of this complex system is particularly timely given the recent advances in communications technology.

Specifically, we recommend that the SEC:

- Retain current SEC staff guidance on investment advisers' use of proxy advisory firms;

- Enhance proxy voting transparency generally by requiring all institutional shareholders to disclose their proxy votes, as regulated funds do;
- Not require funds to “pass through” proxy votes to fund shareholders;
- Explore mechanisms by which public companies could provide views on proxy advisory firms’ research and recommendations to investors, consistent with investors’ need for independent, timely, and cost-efficient research;
- Explore modifying the ownership and/or holding period requirements for shareholders seeking to include proposals on issuers’ proxies;
- Explore modifying the resubmission thresholds, and/or imposing a “time out,” in connection with unsuccessful shareholder proposals;
- Consider revamping the shareholder proposal exclusion process to enhance its consistency;
- Create a system whereby shareholders could confirm that their proxy votes were tabulated consistent with their voting instructions; and
- Permit funds to deliver proxy materials to their beneficial shareholders directly and eliminate the objecting beneficial owner (OBO)/non-objecting beneficial owner (NOBO) distinction<sup>[4]</sup> to improve communication between funds and their shareholders and reduce proxy costs.

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## [Attachment](#)

### **endnotes**

[1] U.S. Securities and Exchange Commission Roundtable on the Proxy Process Transcript (Nov. 15, 2018), available at [www.sec.gov/files/proxy-round-table-transcript-111518.pdf](http://www.sec.gov/files/proxy-round-table-transcript-111518.pdf).

[2] Testimony on Oversight of the US Securities and Exchange Commission, SEC Chairman Jay Clayton, before the US Senate Committee on Banking, Housing, and Urban Affairs (December 11, 2018), available at [www.sec.gov/news/testimony/testimony-oversight-us-securities-and-exchange-commission-0](http://www.sec.gov/news/testimony/testimony-oversight-us-securities-and-exchange-commission-0).

[3] See *also* Letter from Paul Schott Stevens, President and CEO, ICI, to Brent Fields, Secretary, SEC, dated November 14, 2018, available at [www.sec.gov/comments/4-725/4725-4702049-176465.pdf](http://www.sec.gov/comments/4-725/4725-4702049-176465.pdf). This prior submission presented, among other things, ICI’s research and analysis of over ten years of proxy voting data.

[4] The SEC adopted these rules that govern when an issuer may obtain a list of its “street name” shareholders who have not objected to such disclosure. These shareholders are “non-objecting beneficial owners,” or “NOBOs,” while “OBOs” are shareholders who have objected to the disclosure of their identities and share positions.

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