

MEMO# 31481

November 15, 2018

ICI Files Letter With SEC on Fund Proxy Voting

[31481]

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TO: ICI Members
Investment Company Directors
Investment Advisers Committee
SEC Rules Committee
Small Funds Committee
Transfer Agent Advisory Committee
SUBJECTS: Closed-End Funds
Disclosure
Exchange-Traded Funds (ETFs)
Investment Advisers
Transfer Agency RE: ICI Files Letter With SEC on Fund Proxy Voting

ICI filed a [letter](#) with the SEC on November 14^[1] in advance of the SEC staff roundtable on proxy issues.^[2] The letter summarized and transmitted several ICI publications related to proxy matters. Those publications are briefly summarized below.

First, we provided a three-part series of ICI Viewpoints explaining important aspects of the proxy voting landscape, including how it has changed over the last several years. We developed these Viewpoints using data for proxy seasons 2003 through 2017.

- Funds and Proxy Voting: The Mix of Proposals Matters addresses the types of proxy proposals shareholders submitted during the 2017 proxy season and how those have changed over the years.
- Funds and Proxy Voting: Who Submits Shareholder Proposals identifies the proponents who submitted shareholder proposals and the differences in the types of issues they raised.
- Funds and Proxy Voting: Funds Vote Thoughtfully and Independently examines how funds actually voted on 2017 proxy proposals and how their votes compare with Institutional Shareholder Services (ISS) recommendations. One finding comes through the data clearly: fund advisers do not automatically follow anyone's recommendations.

We also provided a report on funds' use and oversight of proxy advisory firms and an ICI Viewpoints examining the serious drawbacks with a recently-advanced idea—fund shareholders, rather than funds, voting the plethora of fund portfolio company proxies.

- Report on Funds' Use of Proxy Advisory Firms examines funds' use and oversight of proxy advisory firms. ICI and the Independent Directors Counsel jointly published this report in 2015, working closely with members.
- SEC Should Reject Complex, Costly "Pass-Through" Proxy Voting explains the complexities and costs that would be associated with funds passing through voting decisions to fund shareholders. This idea, put forth by the Main Street Investors Coalition and the National Association of Manufacturers, is misguided and impractical and should go no further.

Dorothy M. Donohue
Deputy General Counsel - Securities Regulation

endnotes

[1] See Letter from Paul Schott Stevens, President and CEO, Investment Company Institute, to Brent Fields, Secretary, Securities and Exchange Commission, dated November 14, 2018, available on the ICI's website at https://www.ici.org/pdf/18_proxy_rountable_ltr.pdf.

[2] SEC Press Release, *SEC Announces Agenda, Panelists for Staff Roundtable on the Proxy Process* (November 8, 2018), available at <https://www.sec.gov/news/press-release/2018-260>.

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