

**[DISCUSSION DRAFT]**

119<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H. R.** \_\_\_\_\_

To amend the Securities Exchange Act of 1934 to require the Securities and Exchange Commission to study of certain issues with respect to shareholder proposals, proxy advisory firms, and the proxy process, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Mrs. WAGNER introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Securities Exchange Act of 1934 to require the Securities and Exchange Commission to study of certain issues with respect to shareholder proposals, proxy advisory firms, and the proxy process, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. STUDY OF CERTAIN ISSUES WITH RESPECT TO**  
2 **SHAREHOLDER PROPOSALS, PROXY ADVI-**  
3 **SORY FIRMS, AND THE PROXY PROCESS.**

4 Section 4(j) of the Securities Exchange Act of 1934  
5 (15 U.S.C. 78d(j)) is amended by adding at the end the  
6 following:

7 “(10) STUDY OF CERTAIN ISSUES WITH RE-  
8 SPECT TO SHAREHOLDER PROPOSALS, PROXY ADVI-  
9 SORY FIRMS, AND THE PROXY PROCESS.—

10 “(A) IN GENERAL.—Not later than 180  
11 days after the date of the enactment of this  
12 paragraph, and every 5 years thereafter, the  
13 Commission shall conduct a comprehensive  
14 study on shareholder proposals, proxy advisory  
15 firms, and the proxy process.

16 “(B) SCOPE OF STUDY.—The studies re-  
17 quired under subparagraph (A) shall cover—

18 “(i) the previous 10 years, with re-  
19 spect to the initial study; and

20 “(ii) the previous 5 years, with respect  
21 to each other study.

22 “(C) CONTENTS.—Each study required  
23 under subparagraph (A) shall address the fol-  
24 lowing issues:

1           “(i) The financial and other incentives  
2           and obligations of all groups involved in  
3           the proxy process.

4           “(ii) A consideration of whether finan-  
5           cial and other incentives have created a  
6           process that no longer serves the economic  
7           interests of long-term retail investors.

8           “(iii) An analysis of whether regula-  
9           tions and financial incentives have created  
10          and protected the outsized influence of  
11          proxy advisors or a duopoly in proxy ad-  
12          vice, and if so, what are the benefits and  
13          costs of that outsized influence or duopoly.

14          “(iv) The costs incurred by issuers in  
15          responding to politically-, environmentally-,  
16          , or socially-motivated shareholder pro-  
17          posals.

18          “(v) An assessment, including a cost-  
19          benefit analysis, of the adequacy of the  
20          current submission thresholds in Rule 14a-  
21          8 (17 CFR 240.14a-8) to ensure that  
22          shareholder proponents have demonstrated  
23          a meaningful economic stake in a com-  
24          pany, which is appropriate to effectively  
25          serve markets and shareholders at large.

1           “(vi) An examination of the extent to  
2           which the politicization of the shareholder  
3           proposal process is increasing the oper-  
4           ating costs of public companies.

5           “(vii) An analysis of the impact that  
6           shareholder proposals have on discouraging  
7           private companies from going public.

8           “(viii) An evaluation of the risk that  
9           shareholder proposals may contribute to  
10          the balkanization of the U.S. economy over  
11          time.

12          “(ix) A thorough assessment of the  
13          economic analysis, if any, conducted by  
14          proxy advisory firms and institutional  
15          shareholders when recommending or voting  
16          in favor of shareholder proposals.

17          “(x) A review of the extent to which  
18          institutional investors, who owe fiduciary  
19          duties, rely on proxy advisory firm rec-  
20          ommendations.

21          “(xi) An assessment of whether, in  
22          light of their significant influence on cor-  
23          porate actions and vote outcomes, proxy  
24          advisors are subject to sufficient and effec-  
25          tive regulation to ensure that their policies

1 and recommendations are accurate, free of  
2 conflicts, and benefit the economic best in-  
3 terest of shareholders at large.

4 “(D) REPORT.—At the completion of each  
5 study required under subparagraph (A) the  
6 Commission shall issue a report to the Com-  
7 mittee on Banking, Housing, and Urban Affairs  
8 of the Senate and the Committee on Financial  
9 Services of the House of Representatives that  
10 includes the results of the study.

11 “(E) PROXY ADVISORY FIRM.—In this  
12 paragraph, the term ‘proxy advisory firm’—

13 “(i) means any person who is pri-  
14 marily engaged in the business of pro-  
15 viding proxy voting advice, research, anal-  
16 ysis, ratings, or recommendations to cli-  
17 ents, which conduct constitutes a sollicita-  
18 tion within the meaning of section 14; and

19 “(ii) does not include any person that  
20 is exempt under law or regulation from the  
21 requirements otherwise applicable to per-  
22 sons engaged in such a solicitation.”.