

MEMORANDUM

To: Members of the Committee on Financial Services

From: Committee Majority Staff

Date: April 24, 2025

Re: April 29, 2025, Subcommittee on Capital Markets Hearing: “Exposing the Proxy Advisory Cartel: How ISS & Glass Lewis Influence Markets.”

On April 29, 2025, at 2:00 p.m., the Subcommittee on Capital Markets will hold a hearing in Room 2128 of the Rayburn House Office Building, entitled “Exposing the Proxy Advisory Cartel: How ISS & Glass Lewis Influence Markets.” The following witnesses will testify:

- **Mr. Charles Crain**, Managing Vice President, Policy, National Association of Manufacturers
- **Ms. Elizabeth Ising**, Partner, Gibson Dunn
- **Mr. Paul Rose**, Dean, School of Law, Case Western Reserve
- **Mr. Paul Washington**, President and CEO, Society for Corporate Governance
- **Ms. Nell Minow**, Vice Chair, ValueEdge Advisors

This hearing will examine the role and influence of proxy advisory firms, with a focus on Institutional Shareholder Services (ISS) and Glass Lewis, in shaping corporate governance and shareholder voting outcomes.

Attached Legislation:

1. **H.R. ___, a bill to amend the *Securities Exchange Act of 1934* to provide for the registration of proxy advisory firms (Steil):** The discussion draft requires a proxy advisory firm to register with the SEC and prohibits an unregistered proxy advisory firm from using interstate commerce to provide proxy-voting advice, research, analysis, or recommendations to any client.
2. **H.R. ___, a bill to amend the *Securities Exchange Act of 1934* to provide for liability for certain failures to disclose material information or making material misstatements (Steil):** The discussion draft specifies what is considered a false or misleading statement concerning a material fact for liability purposes in the context of the sale or purchase of securities. Particularly, the bill specifies that this liability extends to certain actions performed by a proxy voting advice business.
3. **H.R. ___, a bill to amend the *Securities Exchange Act of 1934* to require certain disclosures by institutional investment managers in connection with proxy advisory firms (Loudermilk):** The discussion draft requires certain institutional investment managers that use proxy advisory firms to disclose information related to voting on shareholder proposals.

4. **H.R. ___, a bill to amend the *Securities Exchange Act of 1934* to provide for certain requirements related to proxy voting (Nunn):** The discussion draft amends the *Securities Exchange Act of 1934* to prohibit robo-voting with respect to votes related to proxy or consent solicitation materials.
5. **H.R. ___, a bill to amend the *Securities Exchange Act of 1934* to require the Securities and Exchange Commission to study certain issues with respect to shareholder proposals, proxy advisory firms, and the proxy process (Wagner):** The discussion draft requires the Securities and Exchange Commission to conduct a study of certain issues with respect to shareholder proposals, proxy advisory firms, and the proxy process.
6. **H.R. ___, the Stopping Proxy Advisor Racketeering Act (Fitzgerald):** The discussion draft amends the *Securities Exchange Act of 1934* to prohibit proxy advisory firms from issuing proxy voting advice if the proxy advisory firm possesses a conflict of interest that could affect the objectivity or reliability of such proxy voting advice.