



Mr. Brent Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090  
File Number 4-725 [SEC Staff Roundtable on the Proxy Process]

Dear Mr. Fields,

Americans for Financial Reform (“AFR”) appreciates this opportunity to submit comments for the Staff Roundtable on the Proxy Process (the “Roundtable”) by the Securities and Exchange Commission (the “Commission”). AFR is a coalition of more than 200 national, state, and local groups who have come together to advocate for reform of the financial industry. Members of AFR include consumer, civil rights, investor, retiree, community, labor, faith based, and business groups.

AFR works to lay the foundation for a strong, stable, and ethical financial system that serves the economy and the nation as a whole. For that system to exist, shareholders must have the ability to directly engage with the executives and boards of directors of the companies they are invested in to raise issues that are important to them. The shareholder proposal process in its current form provides an efficient and important mechanism for shareholders to raise issues with corporate boards. The proxy voting process provides investors the ability to communicate to corporate leaders about important corporate governance and public policy matters, such as political spending, executive compensation and climate change. AFR therefore opposes efforts to increase ownership requirements and resubmission thresholds and implement onerous regulations that would make it difficult for proxy advisory firms to advise investors.

At the upcoming Roundtable, SEC Staff will consider a number of issues related to proxy voting, including shareholder engagement and the role of proxy advisory firms.<sup>1</sup> Proposals put forward by the business community would:

- dramatically increase the number and value of shares an investor must own in order to be eligible to submit a shareholder proposal;
- dramatically increase amount of time an investor must own their shares in order to be eligible to submit shareholder proposals;
- double or triple the support a shareholder proposal must receive in order to be resubmitted in the future at a company; and

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<sup>1</sup> SEC Announces Agenda, Panelists for Staff Roundtable on the Proxy Process, Nov. 8 2018 *available at* <https://www.sec.gov/news/press-release/2018-260>.

- impose strict regulations on proxy advisory firms that would make it impossible for them to provide advice to shareholders on matters that are brought up for shareholder votes.<sup>23</sup>

These are steps that business interests have pressured the Commission and Congress to take for many years in order to weaken shareholder voice.<sup>4</sup>

Business groups frame their arguments to change rules related to shareholder proposals and proxy advisory firms as being intended to curtail special interests and address conflicts of interest and errors by proxy advisory firms. The reality, however, is that the policy changes put forward by the business community are simply efforts to silence shareholders who might question the actions taken by management.

Proposals to increase ownership requirements and resubmission thresholds would make it nearly impossible for any investor to submit a shareholder proposal. If shareholders somehow managed to overcome such onerous requirements and get a proposal on a company's ballot, regulations the business community seeks to impose on proxy advisory firms would prevent investors from accessing independent advice on shareholder proposals. This would leave them with no alternative to management's recommendations.

A strong, stable, and ethical financial system requires that investors have the ability to communicate with management and boards of directors about important matters and to hold them accountable. Efforts to curtail the ability of shareholders to submit proposals for consideration at a company's annual meeting and eliminate access to quality advice seek to silence the voices of investors on important governance, social and environmental matters. AFR, therefore, opposes efforts to increase ownership requirements and resubmission thresholds and implement onerous regulations that would make it difficult for proxy advisory firms to advise investors.

Thank you for the opportunity to submit comments in advance of the Roundtable. If you have any questions, please contact Heather Slavkin Corzo at [heather@ourfinancialsecurity.org](mailto:heather@ourfinancialsecurity.org).

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<sup>2</sup> Comments submitted by the Business Roundtable for the Staff Roundtable on the Proxy Process, Nov. 9, 2018, available at <https://www.sec.gov/comments/4-725/4725-4635930-176425.pdf>

<sup>3</sup> Best Practices and Core Principles for the Development, Dispensation, and Receipt of Proxy Advice available at <https://www.centerforcapitalmarkets.com/wp-content/uploads/2013/08/Best-Practices-and-Core-Principles-for-Proxy-Advisors.pdf>

<sup>4</sup> *Id* at 2.