

SEC Adopts Rule Amendments for Proxy Advisory Firms

September 1, 2020 Bill McDonald

PRACTICES Corporate, Capital Markets and Securities

For many years, the Securities and Exchange Commission (“SEC”) has considered how to regulate proxy advisory firms such as Institutional Shareholder Services (“ISS”) and Glass, Lewis & Co (“Glass Lewis”). On July 22, 2020, the SEC adopted amendments to the proxy rules to address proxy voting advice services provided by proxy advisory firms. The SEC also issued supplemental interpretative guidance addressing the responsibilities of an investment adviser if it uses the services of a proxy advisory firm in response to the adoption of the Final Rules.

The Final Rules differ in several respects from the proposed rules issued in November 2019. In the adopting release, the SEC emphasized several times that the Final Rules are based on “a more principles-based approach” rather than the prescriptive disclosure approach set forth in the Proposed Rules. The SEC states the Final Rules are intended to be more flexible to encompass a wide variety of circumstances.

The Final Rules in Summary

The Final Rules include two primary actions.

- The SEC codified its longstanding view that proxy voting advice constitutes a “solicitation” under Section 14A of the Securities Exchange Act of 1934 (the “Exchange Act”); and
- The SEC adopted new express conditions that a proxy advisory firm must satisfy in order to be exempt from the information and filing requirements applicable to proxy solicitations.

In connection with the Final Rules, the SEC also provided the Supplemental Guidance to investment advisers regarding their proxy voting requirements and duties in light of the adoption of the Final Rules.

[See here to read the full article.](#)