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INVESTOR VOICE, SPC

**Contact:**

Bruce Herbert

206-522-3055

[team@investorvoice.net](mailto:team@investorvoice.net)

## **SEC's Proposed Rule Changes Muzzle Shareholders and Shield CEOs From Accountability**

**SEATTLE** – The U.S. Securities and Exchange Commission voted today to consider sweeping changes to the regulations governing the shareholder proposal process, which negatively impact small investors as well as proxy advisory services. The proposed changes to Rule 14a-8 include substantially more strict and complicated thresholds for filing, significantly higher resubmission requirements, serious free speech infringements on independent third-party proxy advisory services, and onerous restrictions on an investor's essential agency right to seek assistance.

"The shareholder proposal rule is the bedrock of effective corporate engagement in the United States," said Bruce Herbert, Chief Executive of Investor Voice. "For over 70 years, the shareholder engagement process has been a vital tool for stockowners to propose good ideas involving sustainability, profitability, and governance; to hold CEOs accountable for mismanagement; and to mitigate risk by addressing issues like climate change and human rights."

"These proposed changes were not asked for by investors," Herbert continued, "they are the result of a concerted influence campaign backed by large industry associations. Key players were the Business Roundtable, National Association of Manufacturers, and the U.S. Chamber of Commerce – each of whom appear to believe that responding to small investors, regardless of how good their ideas prove to be, is an unwelcome nuisance for the corporation."

"The proposed changes," Herbert said, "are a solution in search of a problem." Trump appointees to the SEC, including Chair Jay Clayton and Commissioner Elad Roisman, argue that change is needed to modernize the shareholder engagement process, asserting that the rules have not been "revised" in decades.

"However," Herbert observed, "that argument is highly misleading because 'revision' is very different from 'review' – the fact is that the shareholder engagement rule has been reviewed many times over the decades and always found to be fresh and beneficial as it stood. Focusing on 'revisions' while ignoring 'reviews', as Clayton and Roisman purposefully do, is like asserting that someone who goes in for annual check-ups has received no medical attention whatsoever... unless and until they undergo surgery."

The two Democrats on the commission, Allison Lee and Robert Jackson, blasted the proposed changes as a power-grab by corporate CEOs. "The bottom line is that today's proposals would shift power away from shareholders and towards management," said Commissioner Lee.

Commissioner Jackson, meanwhile, argued that, while some minor reforms may be needed, today's proposals "amount to swatting a gadfly with a sledgehammer."

The Commission passed the motion to consider the proposed changes on a party-line vote of 3-2. The public will have only 60 days to submit comments to the SEC once the proposals are published in the Federal Register.

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**Investor Voice** develops and implements robust shareholder engagement strategies for public asset holders, mutual funds, money managers, foundations, endowments, and non-profits.