



Consumer Federation of America

December 18, 2017

Re: Vote No on H.R. 4015, the “Corporate Governance Transparency Act”

Dear Representative:

We understand the House is scheduled to vote this week on legislation (H.R. 4015, the Corporate Governance Reform and Transparency Act) that would undermine the ability of shareholders to get reliable, independent analysis of proxy issues on which they are asked to vote. We urge you to vote no.

Although H.R. 4015 is presented as a bill to regulate proxy advisory firms in order to better protect investors and the economy, its effect would be to undermine their independence, simultaneously increasing their costs and undermining their value to the investors who use their services. Indeed, several of the bill’s provisions are specifically designed to give the companies whose proxy proposals the firms are supposed to independently analyze greater input into and influence over their recommendations.

- It would, for example, require proxy advisory firms to give companies a first look at their draft recommendations and an opportunity to comment on them before any recommendation to investors is finalized.
- Proxy advisory firms would also be required to employ an ombudsman to take complaints about the accuracy of the voting materials from the companies that are subjects of the recommendations, and provide those companies with an opportunity to include a comment in materials sent to investors if their complaints are not resolved to their satisfaction.

Together, these provisions would empower companies to bully proxy advisory firms into dropping their objections to management proposals or watering down their recommendations.

We certainly agree that proxy advisory firms should be subject to appropriate regulation. Rather than create a bureaucratic new regulatory regime for a handful of firms, however, we believe that is better achieved by regulating these firms as investment advisers, with a fiduciary duty to act in the best interests of the investors who rely on their services and an obligation to minimize and appropriately manage conflicts of interest.

For these reasons, we urge you to vote no on this misguided and misdirected legislation. Please feel free to contact me directly (at bnroper@comcast.net) if you have questions about our position on this bill.

Respectfully submitted,

Director of Investor Protection