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## **SEC Rescinds Certain Proxy Advisory Firm Rules Adopted in 2020**

The SEC held an Open Meeting this morning and took two actions: (1) it issued a final rule regarding proxy advisory firms (PAF), and (2) it issued a proposed rule on shareholder proposals (Rule 14a-8). Both were approved on 3-2 party line votes, with the Democratic Commissioners voting yes and the Republican Commissioners voting no.

The SEC's final rule on proxy firms largely follows its proposed rule issued last November with a 30-day comment period. The final rule comprises three amendments to the existing regulatory regime for proxy firms: (1) it rescinds the company review process for PAF reports institutionalized in the 2020 final rule; (2) it rescinds the 2020 supplemental guidance regarding the voting obligations of investment advisers; and (3) it relaxes the liability standards for proxy firms when they fail to disclose material information regarding proxy voting advice. The final rule does leave in place: (1) conflict of interest disclosure requirements from the 2020 rule; and (2) the SEC interpretation that voting advice by proxy firms is considered a "solicitation" under the Commission's proxy rules.

### **Resources**

SEC Fact Sheet: <https://www.sec.gov/files/34-95266-fact-sheet.pdf>

SEC Rule Proposal: <https://www.sec.gov/rules/final/2022/34-95266.pdf>

NIRI Proxy Reform Page: <https://www.niri.org/advocacy/niri-regulatory-positions/proxy-system-reform>

The Commission also issued a proposed rule on shareholder proposals. The proposal would amend Rule 14a-8 to tighten the standards for three of the bases for exclusion of shareholder proposals, specifically: (1) the substantial implementation exclusion; (2) the duplication exclusion; and (3) the resubmission exclusion. There will be a 60-day comment period, ending on September 12, 2022.

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SEC Rule Proposal: <https://wwwsec.gov/rules/proposed/2022/34-95267.pdf>

### **About NIRI: The Association for Investor Relations**

Founded in 1969, NIRI is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts, and other financial community constituents. NIRI is the largest professional investor relations association in the world with members representing over 1,500 publicly held companies and \$12 trillion in stock market capitalization.