



## Securities Law ALERT ■

**NOVEMBER 6, 2013**

### SEC to Hold Roundtable on Proxy Advisory Services

On November 5, 2013, the Securities and Exchange Commission (SEC) announced that it will host a public roundtable to discuss the use of proxy advisory firm services on December 5, 2013.<sup>1</sup> The roundtable will be held at the SEC's headquarters in Washington, D.C. and will be open to the public and webcast live on the SEC's website.

Proxy advisory firms, such as ISS and Glass Lewis, assist investment advisors and investors, including many institutional investors, by preparing voting recommendations and analysis for proposals presented to shareholders. In addition, they advise companies on how to improve their corporate governance ratings and develop proposals to present to shareholders for their vote. ISS and Glass Lewis tend to dominate the proxy advisory industry in the United States. The voting recommendations of proxy advisors are widely considered to be highly influential in determining the outcome of a shareholder vote.

In 2010, the SEC issued a concept release on the U.S. proxy system and requested comments on what new regulations should be imposed to address these concerns and other issues related to the use of proxy advisory firms.<sup>2</sup> However, the SEC has yet to propose any formal rules.

A number of concerns have been raised by investors and public companies about the role of proxy advisory firms in the shareholder voting process, including potential conflicts of interest based on the dual role of proxy advisory firms in advising both investors and public companies on governance and voting issues, as well as the lack of transparency in the criteria and process used by proxy advisory firms to evaluate whether to support a particular proposal. The concerns from public companies have grown louder in recent years, with many public companies calling for the SEC to take action with respect to proxy advisory firms.

The roundtable will provide an opportunity to discuss the role and possible regulation of proxy advisory services. A full agenda and list of participants will be issued by the SEC in advance of the event.

<sup>1</sup> The press release is available at <http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370540266939>.

<sup>2</sup> The concept release is available at [www.sec.gov/rules/concept/2010/34-62495.pdf](http://www.sec.gov/rules/concept/2010/34-62495.pdf). See Alston & Bird advisory at: <http://www.alston.com/resources/publications/securities-law-advisory-sec-issues-proxy-plumbing--concept-release>.

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