

Investor Advisory Committee Investor as Owner Subcommittee

Proposed Resolution on Tag Data for Proxy and Vote Filings

February 22, 2010

The Investor Advisory Committee recommends that the SEC staff, as part of its review of the US proxy voting system, study the costs and benefits of mandating a standardized tag-data format¹ for the following three filings:

1. *Proxy filings (DEF 14A)*. Especially useful for investors would be the information disclosed regarding directors (such as other board service, executive roles, affiliations / transactions with the company, committee memberships, etc.), governance attributes of the firm, compensation data, peer groups, audit information, key accounting issues and the details of each item to be voted on. This would facilitate a variety of investor search purposes, including better information on which to make voting decisions, enhanced ability of shareholders to assess the role of directors across the public markets, improved opportunity for investors to compare and contrast important governance attributes across firms and track changes in governance trends and automated matching of voting items in a proxy filing to votes in N-PX filings.
2. *N-PX filings of mutual fund votes*. The Commission does not now specify technical formats for release of N-PX filings. As a result, fund companies produce text files in multiple layouts. Standardization using a tag data format would permit investors and third party market bodies to make voting data available to the public in convenient and intelligible ways at reduced costs. Format inefficiencies have frustrated the fundamental goal of this disclosure requirement.
3. *Corporate filing of voting results*. These are now in 8-K filings in untagged text format.

The Committee intends that costs of developing common taxonomies for tag formatting be borne by the industry or a private sector body rather than the SEC itself.

Tag formatting can reduce error rates inherent in processing various text formats that may change from time to time. It would also facilitate research on mutual fund voting, such as these two articles by University of Chicago Professor Gregor Matvos and Stanford University Professor Michael Ostrovsky: "Cross-Ownership, Returns, and Voting in Mergers", *Journal of Financial Economics*, v.89(3), September 2008, pp. 391-403 and "Heterogeneity and Peer Effects in Mutual Fund Proxy Voting", *Journal of Financial Economics*, forthcoming. These authors concur that a standardized, computer-readable format for voting data would make further research much easier in future.

¹ For example, XBRL. Note that the Open Compliance & Ethics Group (oceg.org) has already drafted a proposed XBRL taxonomy for N-PX filings, and Broadridge has drafted a proposed XBRL taxonomy for proxy filings (DEF 14A). The XBRL US organization plans to have a production-ready taxonomy for DEF 14A by November 2010.