

January 27, 2020

Via email to rule-comments@sec.gov

Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington D.C. 20549

Re: Comment File No. S7-22-19 -- Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice, and File No. S7-23-19 -- Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8

Dear Ms. Countryman:

I respectfully submit this letter to provide my reasons for abstaining in the vote on the recommendation of the Investor Advisory Committee regarding the recent Commission guidance and proposals on proxy advisers and shareholder proposals. I appreciate the time and effort that has gone into drafting the recommendation and participated in numerous discussions in which our members provided thoughtful and helpful comments. While I agree that the recommendation makes a number of good points, I abstained from voting for the reasons stated below.

My personal problems with these topics are that:

1. I have very limited personal experience with, or detailed knowledge about, proxy advisors and shareholder proposals. Both of these topics are long-debated, very complex topics with different impacts on both shareholders and public companies, depending on whether they are large or medium-to-small in size.
2. I would greatly benefit from reading a well-crafted brief that argues the opposite point of view from the IAC recommendation. I have not seen such a brief.

My *inclinations* about the specific recommendations are:

- I definitely agree with the draft's first recommendation: Revisit and establish priorities in improving the proxy system. Let's get votes counted correctly. This is consistent with the IAC's prior recommendation, which I supported. This should be the regulatory priority, in my opinion.
- Secondly, while I feel that proxy advisors should definitely report their conflicts of interest, as suggested in the second recommendation, I have concluded that *much more* should be done. As was done with audit firms, I don't think proxy advisors for shareholders should also be consultants for companies on which they are providing proxy voting advice. This is why I have concluded that the additional wording "We recommend that the SEC improve conflict of interest

disclosures for proxy advisors" is insufficient and does not really add much. My suggestion is *much more aggressive* and, I think, the only way to satisfactorily resolve the existing substantial conflicts of interest.

To be clear: I think proxy advisors *do* add real value to institutional investors. They are a necessary part of the system. I'm not so sure as to whether they add nearly as much value to individual investors as they do to institutional investors.

I also believe that *small- and medium-size public companies* are likely to have a less positive opinion about their proxy advisor interactions vs. those attributed to Exxon, a very large company.

- Finally, I am usually sympathetic to recommendations based on economic analyses when possible and reasonable. It does seem that the SEC might have been able to provide better justification to some of its proposals and *I would urge the SEC to enhance their proposals accordingly*. I am less convinced that the SEC needs to perform all of the analyses and alternatives that are mentioned in the IAC's recommendation. I have a concern about "paralysis by analysis" and the "added value" if many of the recommendation's suggested studies are pursued.

Overall, I do view the SEC proposal as being a modest, if somewhat imperfect, effort to improve:

- Transparency of any proxy advisor conflicts, and
- Accuracy of the reports that portfolio advisors issue

Respectfully submitted,

Stephen Holmes
Member, SEC Investor Advisory Committee