

Michael T. Fahey

Darien, CT

January 29, 2020

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice – File No. S7-22-19

Secretary Countryman:

In his remarks during the Commission's open meeting regarding this proposed rule on November 5, 2019, Commissioner Roisman stated, "Material conflicts of interest of a proxy voting advice business should be readily ascertainable to those utilizing their advice."¹ Unfortunately, these conflicts are not easily accessible to proxy advisors' clients. Given that many clients also fall victim to automatically voting these advisors' recommendations, I believe additional oversight from the Commission is needed. I, therefore, support these amendments aimed at making proxy voting advice more accountable and easier to understand.

The fact many investment managers are engaging in the automatic voting of millions of ballots is dangerous for not only our markets, but also investors relying on their managers to vote in their best possible financial interest. The types of conflicts that automatic voting fosters, moreover, are numerous: a.) social justice causes; b.) environmental and/or "green" factors; c.) animal welfare; and d.) pay equity, among others. It is my hope that one day we will have codified metrics that incorporate these otherwise extremely important issues into the investment manager's mandate. We are not there yet. Until then, managers must adhere to their mandate to maximize their clients' financial returns, not impose an ideological agenda.

Research has shown the preponderance of the some of the nation's leading investment managers to vote automatically with their proxy advisor's recommendation. I would like to call your attention to one example here, on an issue I raised above. A report from the American Council for Capital Formation explains:

"The impact in the voting of the large institutional investors has been notable – both State Street and Vanguard were in much sharper alignment with ISS by 2017 – aligning on 100 percent of recommendations made around the creation of animal welfare policies (whether "for" or "against"), where in the years prior to the change, alignment had been as low as 30 percent."²

That is a significant increase in automatic voting on an off-conflicting issue. Thankfully, investment managers can meet their mandate without undue burden. Cydney Posner writes in the Harvard Law School Forum on Corporate Governance that the Commission's "guidance recommends that

¹ The Hon. Elad Roisman, Securities and Exchange Commission, "Statement at the Open Meeting: Modernizing SEC Rules Governing Proxy Voting Advice", November 5, 2019, <https://www.sec.gov/news/public-statement/statement-roisman-2019-11-05-14a-2b>.

² Timothy Doyle, *The Conflicted Role of Proxy Advisors*, American Council for Capital Formation, May 2018, https://accfcorgov.org/wp-content/uploads/2018/05/ACCF_The-Conflicted-Role-of-Proxy-Advisors.pdf.

investment advisers can satisfy their own fiduciary duties of care and loyalty and obligations to act in their clients' best interests, in part, through careful oversight of proxy advisory firms."³

As an attorney by training, I have partnered with boards and management at all levels for both domestic and international B2C and B2B services companies. Additionally, my work consistently focuses on the rapid speed of information sharing, coupled with the increasing demands around knowing who has what data and how. If investment managers continue to automatically rely on proxy advisor recommendations – and the data they use – without increased scrutiny, then investors nationwide will suffer.

This proposed rule provides for substantial improvements that will make proxy voting advice more market-friendly and less opaque. Thank you, Secretary Countryman, for the effort you, the Commissioners, and the SEC staff have put forth to date.

Sincerely,



Michael T. Fahey

³ Cydney Poser, "SEC Guidance for Investment Advisers and Proxy Advisory Firms: An Analysis", Harvard Law School Forum on Corporate Governance, September 1, 2019, <https://corpgov.law.harvard.edu/2019/09/01/sec-guidance-for-investment-advisers-and-proxy-advisory-firms-an-analysis/>.