



John Tuttle
Vice Chairman

New York Stock Exchange
11 Wall Street
New York, NY 10005

April 2, 2019

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NW
Washington, D.C.

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

Dear Ms. Countryman:

On behalf of NYSE Group, Inc.¹ ("NYSE") and the more than 2,200 companies listed on the NYSE, we appreciate the opportunity to comment on proposed amendments to the exemptions from the proxy rules for proxy voting advice businesses (the "Proposal").² Today, the NYSE is the world's largest exchange, representing nearly 40% of the world's total public market value. NYSE listed companies provide jobs for over 40 million people directly and millions more indirectly. Our U.S. capital markets provide unparalleled access to capital, liquidity and trusted regulation and are the destination of choice for investors and public companies.

The NYSE supports smart regulation to ensure the protection of investors and to encourage a healthy pipeline of companies that seek to become and remain public, which in turn benefit pension funds, 401ks, savings vehicles of all kinds, job growth on Main Street, and contribute to the entire U.S. economy. When considering regulatory change, we believe it is critical to protect investors, to support the interests of public companies, and to make the markets more accessible to the next great generation of businesses. The Commission's proposed oversight of proxy advisory firms exemplifies this need for a balanced approach.

At their core, proxy advisory firms are trusted advisers to institutional investors and their guidance affects the shareholder voting decisions of trillions of dollars of Main Street savings every year. Proxy advisory firms provide substantial services to institutional investors and hold significant sway over the management of public companies, yet, today, are subject to limited regulatory oversight. Over time, two proxy advisory firms have captured the vast majority of market share for proxy advisory services. These firms design opaque standards to evaluate public companies across a wide variety of corporate governance and other measures. Based on these standards, which are not public, proxy advisory firms render advice to their institutional investor clients electronically, with the default proxy vote setting designed to steer the institutional client to vote in-line with the advisory firms' recommendations.

Our NYSE-listed companies report that proxy advisory firms make limited effort to consult with issuers that are the subject of advisory firm recommendations to confirm the accuracy of the advice provided to their institutional investor clients. This lack of rigor around the factual accuracy of advice puts

¹ NYSE Group submits this letter on behalf of New York Stock Exchange LLC, NYSE Arca, Inc., NYSE American LLC, NYSE National, Inc. and NYSE Chicago, Inc.

² *Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice*, Securities Exchange Act Release No. 34-87457 (November 5, 2019), 84 FR 66518 (December 4, 2019).

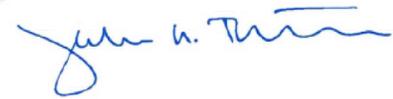
the investors relying on such information at risk and, coupled with the use of default vote settings, eliminates any realistic chance for issuers to correct the record before votes are cast. Left without a meaningful remedy for votes cast based on inaccurate or incomplete information, issuers are often persuaded to purchase "consulting services" from the proxy advisory firm to receive a view into how the firm reviews their company's policies and practices so that they may "improve" their score in a future review. The provision of these consulting services provided to issuers by proxy advisor firms is a patent conflict of interest.

The Proposal provides a sensible framework to address the above concerns. We strongly support the Proposal's approach that proxy voting advice would be considered a "solicitation" under the federal proxy rules unless a proxy advisor (1) manages and discloses its conflicts of interest, (2) provides issuers an opportunity to review draft proxy voting advice in advance, and (3) provides an issuer a chance to respond to final voting advice in writing.

We acknowledge that proxy advisory firms can provide a valuable service to institutional investors who vote thousands of proxies each year, however, certain practices of these firms must be addressed. Reform is needed now to implement changes that will improve the quality of information that proxy advisory firms provide to their institutional clients and compel these firms to manage their conflicts of interest. These reforms will instill confidence in the services that proxy advisory firms provide to investors and provide greater accountability to the public companies that are subject to proxy advisory firm reviews.

The NYSE commends the Commission for taking a detailed look at the regulation of proxy advisory firms. If adopted, the proposed changes to the regulatory regime for proxy advisors will help ensure that investors receive the transparency and regulatory protections they deserve, that public companies continue to thrive and create jobs, and that our capital markets remain the driver of economic growth in America.

Sincerely,



John Tuttle
Vice Chairman & Chief Commercial Officer, NYSE Group

cc: The Honorable Jay Clayton, Chairman
The Honorable Hester Peirce, Commissioner
The Honorable Elad Roisman, Commissioner
The Honorable Allison Lee, Commissioner
Mr. Bill Hinman, Director, Division of Corporate Finance