FACT SHEET

Proposed Amendments to Form N-PX

Proposed amendments to Form N-PX would enhance the information mutual funds, exchange-traded funds, and certain other funds report about their proxy votes. The proposed amendments also would require institutional investment managers to disclose how they voted on executive compensation, or so-called "say-on-pay" matters. The amendments would:

- Require funds and managers to tie the description of each voting matter to the issuer's form of proxy and to categorize each matter by type to help investors identify votes of interest and compare voting records;
- Prescribe how funds and managers organize their reports and require them to use a structured data language to make the filings easier to analyze; and
- Require funds and managers to disclose how their securities lending activity impacted their voting.

Highlights

The proposed amendments to Form N-PX would enhance the information mutual funds, exchange-traded funds, and other registered management investment companies ("funds") currently report annually about their proxy votes and make that information easier to analyze. The Commission also proposed new rule 14Ad-1 under the Securities Exchange Act of 1934 ("Exchange Act") and amendments to Form N-PX to require an institutional investment manager subject to section 13(f) of the Exchange Act ("manager") to report annually on Form N-PX how it voted proxies relating to executive compensation matters (commonly referred to as "say-on-pay" votes), as required by section 14A of the Exchange Act. The proposed reporting requirements for managers, if adopted, would complete implementation of section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").

The reports would be available on the Commission's EDGAR system. For funds, the Commission also proposed amendments to Forms N-1A, N-2, and N-3 that would require funds to disclose that they will post proxy voting records on their websites and make the records available to investors upon request, free of charge in both cases.

Identification of Proxy Voting Matters and Categories

Currently, funds often use different language to describe a particular proxy proposal and do not categorize their votes by type. The lack of a standardized description for each proposal can make it difficult to compare how funds voted on a particular proposal. To address this, the proposal would require funds and managers ("reporting persons") to use the same language as the issuer's form of proxy to identify proxy voting matters.

The proposal would also require reporting persons to categorize their votes so that investors can focus on the topics they find important. For example, the proposal would include categories for votes related to the board of directors, extraordinary transactions, say-on-pay, shareholder rights and defenses, and environment or climate, among others.

Quantitative Disclosure and Securities Lending

Investors currently do not have transparency into when funds do not cast votes because their securities are out on loan. The proposal would require reporting persons to disclose the number of shares voted (or instructed to be cast), as well as the number of shares loaned but not recalled. Together, this information would provide context for understanding how securities lending activities affect the reporting person's voting practices. It would allow an investor to understand the magnitude of split votes (i.e., when a reporting person votes in multiple ways on the same matter).

Structured Data Language and Standardized Reporting Format

Funds' reports are currently filed in plain-text or HTML format. The proposal would require that reporting persons file their reports using an XML structured data language, which will make it easier to analyze the data. The proposal would also standardize the order of disclosure requirements on Form N-PX and require a fund that offers multiple series of shares to provide the complete voting record of each series separately. These changes are intended to make it easier for investors to efficiently locate votes of interest.

Say-on-Pay Vote Disclosure for Institutional Investment Managers

Proposed rule 14Ad-1 would require managers to report annually on Form N-PX each say-on-pay vote over which the manager exercised voting power. The rule would require a manager to report say-on-pay votes when it uses voting power to influence a voting decision with respect to a security. The proposal would permit joint reporting of say-on-pay votes by managers, or by managers and funds, under identified circumstances to avoid duplicative reporting, while also requiring additional disclosure to allow identification of a given manager's full say-on-pay voting record. Institutional investment managers would be required to comply with the other requirements of Form N-PX for their say-on-pay votes.

What's Next?

The proposal will be published on SEC.gov and in the Federal Register. The public comment period will remain open for 60 days after publication in the Federal Register.