



September 10, 2025

The Honorable French Hill
Chairman
Financial Services Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Financial Services Committee
U.S. House of Representatives
Washington, DC 20515

Re: September 10th Hearing Entitled “Proxy Power and Proposal Abuse: Reforming Rule 14a-8 to Protect Shareholder Value”

Dear Chairman Hill and Ranking Member Waters:

The American Securities Association (ASA)¹ submits these comments for the scheduled Financial Services Committee hearing to examine current federal proxy rules and abuse of the proxy system by special interests and activists pursuing political agendas. We appreciate the Committee’s ongoing leadership on this important topic.

The Politicization of the U.S. Capital Markets

The September 10th hearing will rightfully examine some of the finer points of certain Securities and Exchange Commission (SEC) rules and how the proxy process can be reformed in a way that protects investors, does not politicize the capital markets, and reduces costs for small businesses who want to enter the public markets.

We urge members not to lose sight of a systemic issue impacting our capital markets more broadly: the increased politicization of American financial markets over the last decade.

Political activists have weaponized SEC shareholder proposal rules to advance their own personal ideological agendas without regard to the cost it imposes on ordinary investors saving for retirement or their child’s education.

Unfortunately, the SEC has encouraged and permitted these activists to use its rules to further their political agenda. As a result, annual proxy seasons have devolved into contentious debates

¹ ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA’s mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.





over cultural and social policies that should be addressed through the democratic process, not by financial regulators at the SEC.

Pendulum swings regarding environmental, social, and governance (ESG) or other hot button cultural issues from administration to administration inflict uncertainty that does not benefit companies or their shareholders. To restore credibility to this process, the SEC must be perceived as an objective regulator focused solely on its statutory mission, and not one that sides with the echo-chamber of demands from a well-funded vocal minority.

A Broken Shareholder Proposal System

Under the previous administration, the SEC exacerbated longstanding problems with the shareholder proposal system by issuing Staff Legal Bulletin 14L (SLB 14L) in November 2021. SLB 14L prohibited companies from excluding a shareholder proposal under Rule 14a-8 if the proposal deals with a topic that has a “broad societal impact.”

The term “broad societal impact” was never actually defined by the SEC, and it granted SEC staff wide latitude in determining whether a proposal would go forward with a vote.² This led to a substantial increase in the number of social and politically-motivated proposals issued at public companies, even if the underlying subject matter of a proposal had absolutely no nexus to an underlying company.³

Thankfully, earlier this year, the SEC rescinded SLB 14L and issued updated guidance that reiterated the SEC’s longstanding position that shareholder proposals must have a direct nexus to a company’s business to be included with the company’s proxy materials.

While this new guidance brings some rationality to the process, it also highlights the fact that the SEC’s views towards Rule 14a-8 can change suddenly and drastically. This makes it difficult for companies and investors to understand or predict how a proxy season will play out. Congress must codify this standard so it can no longer be abused by partisans at the SEC to promote their political agendas.

We are encouraged that the SEC’s most recent regulatory agenda indicates the Commission will undertake a 14a-8 rulemaking sometime in the coming months. We hope this is used as an opportunity to get the SEC out of the business of deciding polarizing political and social questions year after year, imposing enormous costs on shareholders and disincentivizing companies from going or staying public.

² Written Statement of Jonathan Berry, Managing Partner, Boyden, Gray, PLLC; “Reforming the Proxy Process to Safeguard Investor Interests”; Hearing Before Subcommittee on Capital Markets, House Committee on Financial Services; July 13, 2023; available here: <https://docs.house.gov/meetings/BA/BA16/20230713/116207/HHRG-118-BA16-Wstate-BerryJ-20230713.pdf>

³ <https://www.gibsondunn.com/shareholder-proposal-developments-during-the-2022-proxy-season/>





Proxy Advisory Firms

ASA appreciates that the hearing will also focus on the ongoing influence proxy advisory firms have on corporate governance in the United States. The proxy advisory industry is an oligopoly made up of two firms that control over 90% of the market.⁴

These firms – Institutional Shareholder Services (ISS) and Glass Lewis – recommend to institutional investors how to vote on annual proxies, including on matters such as executive compensation and shareholder proposals. Yet, these foreign enterprises both operate with major conflicts of interest and have a long track record of making errors when constructing voting recommendations. Past SEC actions have helped to entrench proxy advisors in the corporate governance ecosystem, but both firms operate with little regulatory oversight.

Congress should also examine whether foreign-owned proxy advisory firms continue to support ESG and DEI related shareholder proposals, directly and indirectly through their consulting businesses, in violation of state law, federal law, and the Constitution.

ASA supports several bills that the Committee will consider as part of the hearing, including legislation to prohibit the practice of “robovoting” when institutional investors blindly rely on proxy firm recommendations, and a bill that would directly address proxy advisor conflicts of interest by prohibiting these firms from operating a corporate consulting business alongside a proxy voting business.

Conclusion

ASA commends the Committee for holding this important hearing and we will continue to serve as a helpful resource for members on both sides of the aisle.

Sincerely,

Christopher A. Iacovella

Christopher A. Iacovella
President & Chief Executive Officer
American Securities Association

⁴ NAM Calls for Reining in Proxy Advisory Firms; June 26, 2025, available here: <https://nam.org/nam-calls-for-reining-in-proxy-advisory-firms-34301/>

