



April 21, 2026

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: April 21<sup>st</sup>, 2026 Financial Services Committee Markup***

Dear Chairman Hill and Ranking Member Waters:

The American Securities Association (ASA)<sup>1</sup> appreciates the ongoing work of the Financial Services Committee to promote capital formation and to improve the transparency and efficiency of the U.S. proxy system.

The ASA is pleased to support H.R. 8286, the Protecting Americans' Retirement Savings Ahead of Politics Act. This legislation would establish meaningful and long-overdue oversight of the proxy advisory industry by the Securities and Exchange Commission (SEC).

**I. Overview.**

The proxy advisory industry is dominated by two foreign-owned firms – Institutional Shareholder Services (ISS) and Glass Lewis – that have built a lucrative, largely unregulated duopoly and exploited their positions of influence to push radical political ideologies at public companies during proxy season.

Together, ISS and Glass Lewis control an estimated 97 percent of the proxy advisory market,<sup>2</sup> yet both operate with structural conflicts of interest that would be impermissible for any other regulated market participant. ISS provides paid consulting services to the same companies it evaluates — a dual role that academic research has found produces biased recommendations in favor of paying clients.<sup>3</sup> Glass Lewis maintains financial relationships with activist groups and

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<sup>1</sup> 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.

<sup>2</sup> Copland, Larcker, and Tayan, "Proxy Advisory Firms: Empirical Evidence and the Case for Reform," Manhattan Institute (May 2018); see also Crain, Testimony Before the House Subcommittee on Capital Markets, "Exposing the Proxy Advisory Cartel: How ISS & Glass Lewis Influence Markets," May 6, 2025 ("ISS and Glass Lewis together control over 97% of the U.S. proxy advice market").

<sup>3</sup> Li, Tao, "Outsourcing Corporate Governance: Conflicts of Interest Within the Proxy Advisory Industry," *Management Science*, Vol. 64, No. 6 (2018), pp. 2951–2971 (That study directly tests and confirms that ISS issues more favorable recommendations to companies from which it receives consulting revenue, finding statistically significant evidence of bias.)





ESG ratings providers whose views are directly incorporated into its proxy recommendations.<sup>4</sup> Neither firm is required to disclose these conflicts to the investors who rely on their advice.

These firms have no fiduciary duty to shareholders, have a track record of making significant errors when providing vote recommendations, and face no accountability for the damage their bad advice causes. The consequences for ordinary investors are not abstract. Academic research has found that proxy advisor influence induces boards to make governance decisions that decrease shareholder value,<sup>5</sup> and that passing ESG-related shareholder proposals — like those the proxy advisors routinely champion — produces no measurable improvement in firm financial performance.<sup>6</sup>

Research published in the *Journal of Accounting Research* found statistically significant abnormal negative stock returns of -0.5% to -0.7% around the release of ISS negative recommendations, and Stanford researchers concluded that proxy advisor influence induces boards to make compensation decisions that decrease shareholder value<sup>7</sup>. These losses land squarely on the retirement accounts of working families whose savings are managed by the institutional investors that blindly follow proxy advisor dictates.<sup>8</sup>

Every issuer, asset manager, broker, custodian, and transfer agent in the proxy process is subject to a comprehensive regulatory regime that protects investors and ensures the voting process is fair and transparent. Yet proxy advisors have escaped even modest regulatory standards for years,<sup>9</sup> wielding extraordinary influence over corporate America with no accountability, no fiduciary obligation, and no meaningful check on the accuracy of their recommendations or the ideological agendas embedded within them. The result is a system in which two foreign-owned firms function as unelected, unaccountable arbiters of American corporate governance – tilting the field toward political outcomes that serve their owners ideological preferences rather than the financial interests of American investors.

<sup>4</sup> <https://corpgov.law.harvard.edu/2025/05/06/testimony-in-house-hearing-exposing-the-proxy-advisory-cartel-how-iss-glass-lewis-influence-markets-4/> ; <https://www.aei.org/articles/other-peoples-money-esg-investing-and-the-conflicts-of-the-consultant-class/>

<sup>5</sup> Larcker, McCall, and Ormazabal, "Outsourcing Shareholder Voting to Proxy Advisory Firms," *Journal of Law and Economics*, Vol. 58, No. 1 (February 2015), pp. 173–204 (Stanford Graduate School of Business / University of Chicago Press).

<sup>6</sup> Hong, H. et al., "Corporate Social Responsibility," NBER Working Paper No. 30771 (2022) (finding no positive effect on firm value from passing ESG/SRI shareholder proposals across 13,343 proposals). See also, "The End of ESG," *Financial Management*, Vol. 52, No. 1 (Spring 2023), pp. 3–17.

<sup>7</sup> Ertimur, Ferri, and Oesch, "Shareholder Votes and Proxy Advisors: Evidence from Say on Pay," *Journal of Accounting Research*, Vol. 51, No. 5 (2013), pp. 951–996.

<sup>8</sup> Rose, Paul, "Proxy Advisors and Market Power: A Review of Institutional Investor Robovoting," Manhattan Institute (May 2021) (finding 114 institutional investors managing more than \$5 trillion in assets voted in lockstep alignment with ISS or Glass Lewis in 2020); American Council for Capital Formation, "The Realities of Robo-Voting" (November 2018) (identifying 175 asset managers with more than \$5 trillion in assets under management that voted with ISS more than 95% of the time).

<sup>9</sup> SEC, "Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice," 85 Fed. Reg. 55,082, 55,086 (Sept. 3, 2020) (noting proxy advisors "are not currently subject to any specific disclosure requirements under the federal securities laws" notwithstanding their significant market influence).





The ASA appreciates the ongoing leadership of Rep. Steil to hold proxy advisors accountable and protect shareholders from their ideological agendas. We also support legislation offered by Rep. Nunn that prohibits fund managers from rotely following the recommendations of proxy advisors – a practice better known as “robovoting.”

## **II. Priorities for Reform**

The ASA previously submitted to the Committee our priorities for reform of the proxy advisory industry. We are pleased that the Protecting Americans’ Retirement Savings from Politics Act address many of our key issues.

### **1. Subject the recommendations of proxy advisory firms to the SEC’s antifraud rules.**

Proxy advisors have a demonstrated track record of committing errors and flaws in the analysis the firms use to develop vote recommendations. A report from the American Council for Capital Formation (ACCF) detailed 58 instances during the 2024 proxy season where proxy advisors based their vote recommendations on either faulty analysis or outright falsehoods.<sup>10</sup> This followed reports from ACCF that found similar performance of proxy advisors during previous proxy seasons. These are not isolated clerical mistakes – they are systemic failures by firms that face no legal liability for the damage their bad advice inflicts on shareholders.

When a registered broker-dealer issues flawed research, it faces regulatory consequences. When ISS or Glass Lewis issues a flawed vote recommendation that drives institutional investors to vote against management at hundreds of companies simultaneously – potentially destroying billions of dollars in shareholder value – they face nothing. That accountability gap is indefensible.

If a public company made a false statement in one of its annual or quarterly filings, or an SEC-registered asset manager included a false statement in its prospectus, they would be subject to shareholder legal action and enforcement action from the SEC. There is no reason why this same principle should not apply to proxy advisors.

The consistent failure of proxy advisors to provide fair, objective, and accurate information to their institutional investor clients inexplicably escapes SEC penalty. This is particularly egregious given that proxy advisors’ outsized influence – institutional investors acting on their recommendations collectively control trillions of dollars in assets – means their errors are not merely inconvenient; they are market-moving events with real consequences for company valuations, capital allocation decisions, and ultimately, the retirement savings of ordinary Americans.

At the very minimum, proxy advice must become subject to the antifraud rules under Exchange Act Rule 14a-9. Anything less is a regulatory double standard that protects a powerful industry at investors’ expense.

<sup>10</sup> [https://accf.org/wp-content/uploads/2025/07/ACCF-2024-Proxy-Report\\_7.7.25.pdf](https://accf.org/wp-content/uploads/2025/07/ACCF-2024-Proxy-Report_7.7.25.pdf)





## 2. Require enhanced disclosure of proxy advisory firm conflicts of interest.

It is also unclear to the public whether proxy advisors have committed to disclosing specific conflicts. For example, do proxy advisors disclose whether a shareholder proposal they recommend voting for has been submitted by one of their own clients to the company? Have they ever recused themselves in such a situation?

The SEC and Congress must examine the foreign ownership of both ISS and Glass Lewis and whether these firms are controlled by foreign organizations and/or foreign governments whose political or policy positions may be at odds with U.S. law. This is not a theoretical concern. ISS is owned by Deutsche Börse, a German company.<sup>11</sup> Glass Lewis is owned by a Canadian fund.<sup>12</sup>

The idea that foreign government-affiliated entities are directing billions of dollars in American shareholder votes – on matters ranging from executive compensation to U.S. energy policy to corporate political spending – without any disclosure of their own political interests or regulatory oversight should alarm every Member of Congress regardless of party. Foreign entities acting at the direction of foreign government officials that intentionally inject social and political biases into our markets through voting recommendations are not engaged in protected speech under the First Amendment. It is also unclear whether proxy advisors' lobbying of Congress and the SEC complies with the Foreign Agents Registration Act.<sup>13</sup>

## 3. Public companies should be provided with an opportunity to review and respond to proxy advisor vote recommendations.

To correct the errors in proxy advisor recommendations – or to simply guarantee a company's view on a particular matter is heard during proxy season – the SEC's 2020 rules provided a mechanism for companies to review proxy advisor recommendations and provide a written response before their annual general meeting.

Under that provision, proxy advisors were under no legal obligation to change their recommendation, but shareholders would be provided with more complete and *accurate* information before casting their votes. The review-and-respond mechanism should be restored, either through the Putting Americans' Retirement Savings Ahead of Politics Act or SEC regulation.

<sup>11</sup> Deutsche Börse AG acquired a majority stake of approximately 80 percent in ISS in 2020. Deutsche Börse AG is a publicly listed German corporation and operator of the Frankfurt Stock Exchange. See ISS STOXX GmbH, company overview, available at <https://www.issgovernance.com/>.

<sup>12</sup> <https://www.pelotoncapitalmanagement.com/news/2021/3/16/peloton-capital-management-and-stephen-smith-acquire-glass-lewis>

<sup>13</sup> <https://www.justice.gov/nsd-fara> FARA requires certain agents of foreign principals who are engaged in political activities or other activities specified under the statute to make periodic public disclosure of their relationship with the foreign principal, as well as activities, receipts and disbursements in support of those activities. Disclosure of the required information facilitates evaluation by the government and the American people of the activities of such persons in light of their function as foreign agents. The FARA Unit of the Counterintelligence and Export Control Section (CES) in the National Security Division (NSD) is responsible for the administration and enforcement of FARA.





### III. Materiality

The ASA also strongly supports a provision in H.R. 8286 that would require any public company disclosure requirement adopted by the SEC to meet the standard of materiality, as articulated by the Supreme Court in *TSC Industries v. Northway*.<sup>14</sup>

Over time, the materiality standard has eroded as SEC disclosure mandates have continued to grow, and the securities laws are increasingly weaponized in attempts to address social or political matters that have no bearing on a company's financial condition or prospects.<sup>15</sup>

Proxy advisors have been active accelerants of this trend – routinely recommending votes in favor of shareholder proposals demanding disclosures on controversial cultural and political issues that fail any reasonable materiality test, while institutional investors who mechanically follow those recommendations outsource their fiduciary judgment to firms with no skin in the game.

The result is increased compliance costs for public companies that ultimately flow through to shareholders, a disclosure regime so bloated that investors cannot identify the information that actually matters, and a proxy process in which politically motivated proposals – championed by proxy advisors and their activist clients – crowd out substantive governance discussions.

Enshrining the materiality standard into law will restore discipline to the disclosure process and deprive proxy advisors of one of their most potent tools for injecting ideology into the boardroom. The ASA strongly supports this provision.

### IV. Conclusion

The ASA commends the Financial Services Committee for advancing H.R. 8286 and urges its swift passage. For too long, ISS and Glass Lewis have operated in an unelected, unaccountable, way that has nothing to do with maximizing returns for American investors.

They have exploited a regulatory blind spot to build an extraordinarily profitable duopoly, profiting from conflicts of interest that would disqualify any other market participant, and using their stranglehold over institutional voting to impose ideological agendas on American companies and their shareholders.

<sup>14</sup> 426 U.S. 438 (1976).

<sup>15</sup> Business Roundtable, “The Materiality Standard for Public Company Disclosure: Maintain What Works” (October 2015) (documenting how deviation from materiality imposes extraordinary compliance costs on public companies while failing to serve investors); see also Roisman, Commissioner, SEC, “Putting the Electric Cart before the Horse: Addressing Inevitable Costs of a New ESG Disclosure Regime” (June 3, 2021) (noting that ESG disclosure mandates beyond existing materiality standards impose higher costs on issuers and investors).





H.R. 8286 closes that blind spot.

The bill subjects proxy advisors to the same basic standards of accuracy, transparency, and accountability that every other participant in the capital markets must meet. The retirement savings of millions of teachers, firefighters, and hard-working Americans depends on a proxy system that serves their financial interests – not the political preferences of foreign-owned advisory firms. This legislation represents a critical and long-overdue step toward that goal.

We look forward to continuing to work with the Committee on these important reforms.

Sincerely,

*Christopher A. Iacovella*

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

