

118TH CONGRESS
1ST SESSION

H. R. 4767

To make revisions to the Federal securities laws with respect to shareholder proposals, proxy voting, and the registration of proxy advisory firms, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 2023

Mr. STEIL introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To make revisions to the Federal securities laws with respect to shareholder proposals, proxy voting, and the registration of proxy advisory firms, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Protecting Americans’ Retirement Savings from Politics
6 Act”.

7 (b) TABLE OF CONTENTS.—The table of contents for
8 this Act is as follows:

Sec. 1. Short title; Table of contents.

TITLE I—PERFORMANCE OVER POLITICS

Sec. 101. Exclusion of certain substantially similar shareholder proposals.

TITLE II—NO EXPENSIVE, STIFLING GOVERNANCE

Sec. 201. Exclusion of certain shareholder proposals.

TITLE III—EXCLUSION OF CERTAIN ESG SHAREHOLDER PROPOSALS

Sec. 301. Exclusion of certain ESG shareholder proposals.

TITLE IV—EXCLUSIONS AVAILABLE REGARDLESS OF SIGNIFICANT SOCIAL POLICY ISSUE

Sec. 401. Exclusions available regardless of significant social policy issue.

TITLE V—CORPORATE GOVERNANCE EXAMINATION

Sec. 501. Study of certain issues with respect to shareholder proposals, proxy advisory firms, and the proxy process.

TITLE VI—REGISTRATION OF PROXY ADVISORY FIRMS

Sec. 601. Registration of proxy advisory firms.

TITLE VII—LIABILITY FOR CERTAIN FAILURES TO DISCLOSE MATERIAL INFORMATION OR MAKING OF MATERIAL MISSTATEMENTS

Sec. 701. Liability for certain failures to disclose material information or making of material misstatements.

TITLE VIII—DUTIES OF INVESTMENT ADVISORS, ASSET MANAGERS, AND PENSION FUNDS

Sec. 801. Duties of investment advisors, asset managers, and pension funds.

TITLE IX—PROTECTING AMERICANS' SAVINGS

Sec. 901. Requirements related to proxy voting.

TITLE X—EMPOWERING SHAREHOLDERS

Sec. 1001. Proxy voting of passively managed funds.

TITLE XI—PROTECTING RETAIL INVESTORS' SAVINGS

Sec. 1101. Best interest based on pecuniary factors.

Sec. 1102. Study on climate change and other environmental disclosures in municipal bond market.

Sec. 1103. Study on solicitation of municipal securities business.

1 **TITLE I—PERFORMANCE OVER**
2 **POLITICS**

3 **SEC. 101. EXCLUSION OF CERTAIN SUBSTANTIALLY SIMI-**
4 **LAR SHAREHOLDER PROPOSALS.**

5 The Securities and Exchange Commission shall revise
6 the resubmission requirements in section 240.14a–8(i)(12)
7 of title 17, Code of Federal Regulations, to provide that
8 a shareholder proposal may be excluded by an issuer from
9 its proxy or consent solicitation material for a meeting of
10 the shareholders of such issuer if the shareholder proposal
11 addresses substantially the same subject matter as a pro-
12 posal, or proposals, previously included in the proxy or
13 consent solicitation material for a meeting of the share-
14 holders of such issuer—

15 (1) for a meeting of the shareholders conducted
16 in the preceding 5 calendar years; and

17 (2) if the most recent vote—

18 (A) occurred in the preceding 3 calendar
19 years; and

20 (B)(i) if voted on once during such 5-year
21 period, received less than 10 percent of the
22 votes cast;

23 (ii) if voted on twice during such 5-year
24 period, received less than 20 percent of the
25 votes cast; or

1 (iii) if voted on three or more times during
2 such 5-year period, received less 40 percent of
3 the votes cast.

4 **TITLE II—NO EXPENSIVE,**
5 **STIFLING GOVERNANCE**

6 **SEC. 201. EXCLUSION OF CERTAIN SHAREHOLDER PRO-**
7 **POSALS.**

8 (a) EXCLUSION OF CERTAIN SHAREHOLDER PRO-
9 POSALS.—A shareholder proposal submitted to an issuer
10 pursuant to section 240.14a–8 of title 17, Code of Federal
11 Regulations, may be excluded by an issuer from its proxy
12 or consent solicitation material for a meeting of the share-
13 holders of such issuer if the shareholder proposal—

14 (1) has been substantially implemented by the
15 issuer by implementing policies, practices, or proce-
16 dures that compare favorably with the guidelines of
17 the proposal and address the proposal’s underlying
18 concerns; or

19 (2) substantially duplicates by having the same
20 principal thrust or principal focus as another pro-
21 posal previously submitted to the issuer by another
22 proponent that will be included in such material.

23 (b) NULLIFICATION OF PROPOSED RULE.—The Se-
24 curities and Exchange Commission may not finalize or
25 apply the positions contained in the proposed rule entitled

1 “Substantial Implementation, Duplication, and Resubmis-
2 sion of Shareholder Proposals under Exchange Act Rule
3 14a-8” (87 Fed. Reg. 45052), issue any substantially
4 similar rule, or apply any substantially similar rule, in-
5 cluding with respect to a no-action or other interpretive
6 request.

7 **TITLE III—EXCLUSION OF CER-**
8 **TAIN ESG SHAREHOLDER**
9 **PROPOSALS**

10 **SEC. 301. EXCLUSION OF CERTAIN ESG SHAREHOLDER**
11 **PROPOSALS.**

12 A shareholder proposal submitted to an issuer pursu-
13 ant to section 240.14a-8 of title 17, Code of Federal Reg-
14 ulations, may be excluded by an issuer from its proxy or
15 consent solicitation material for a meeting of the share-
16 holders of such issuer if the subject matter of the share-
17 holder proposal is environmental, social, or political (or a
18 similar subject matter).

1 **TITLE IV—EXCLUSIONS AVAIL-**
 2 **ABLE REGARDLESS OF SIG-**
 3 **NIFICANT SOCIAL POLICY**
 4 **ISSUE**

5 **SEC. 401. EXCLUSIONS AVAILABLE REGARDLESS OF SIG-**
 6 **NIFICANT SOCIAL POLICY ISSUE.**

7 An issuer may exclude a shareholder proposu-
 8 ant to section 240.14a–8(i) of title 17, Code of Federal
 9 Regulations, without regard to whether such shareholder
 10 proposal relates to a significant social policy issue.

11 **TITLE V—CORPORATE**
 12 **GOVERNANCE EXAMINATION**

13 **SEC. 501. STUDY OF CERTAIN ISSUES WITH RESPECT TO**
 14 **SHAREHOLDER PROPOSALS, PROXY ADVI-**
 15 **SORY FIRMS, AND THE PROXY PROCESS.**

16 Section 4(j) of the Securities Exchange Act of 1934
 17 (15 U.S.C. 78d(j)) is amended by adding at the end the
 18 following:

19 “(10) STUDY OF CERTAIN ISSUES WITH RE-
 20 SPECT TO SHAREHOLDER PROPOSALS, PROXY ADVI-
 21 SORY FIRMS, AND THE PROXY PROCESS.—

22 “(A) IN GENERAL.—Not later than 180
 23 days after the date of the enactment of this
 24 paragraph, and every 5 years thereafter, the
 25 Commission shall conduct a comprehensive

1 study on shareholder proposals, proxy advisory
2 firms, and the proxy process.

3 “(B) SCOPE OF STUDY.—The studies re-
4 quired under subparagraph (A) shall cover—

5 “(i) the previous 10 years, with re-
6 spect to the initial study; and

7 “(ii) the previous 5 years, with respect
8 to each other study.

9 “(C) CONTENTS.—Each study required
10 under subparagraph (A) shall address the fol-
11 lowing issues:

12 “(i) The financial and other incentives
13 and obligations of all groups involved in
14 the proxy process.

15 “(ii) A consideration of whether finan-
16 cial and other incentives have created a
17 process that no longer serves the economic
18 interests of long-term retail investors.

19 “(iii) An analysis of whether regula-
20 tions and financial incentives have created
21 and protected the outsized influence of
22 proxy advisors or a duopoly in proxy ad-
23 vice, and if so, what are the benefits and
24 costs of that outsized influence or duopoly.

1 “(iv) The costs incurred by issuers in
2 responding to politically-, environmentally-
3 , or socially-motivated shareholder pro-
4 posals.

5 “(v) An assessment, including a cost-
6 benefit analysis, of the adequacy of the
7 current submission thresholds in Rule
8 14a–8 (17 CFR 240.14a–8) to ensure that
9 shareholder proponents have demonstrated
10 a meaningful economic stake in a com-
11 pany, which is appropriate to effectively
12 serve markets and shareholders at large.

13 “(vi) An examination of the extent to
14 which the politicization of the shareholder
15 proposal process is increasing the oper-
16 ating costs of public companies.

17 “(vii) An analysis of the impact that
18 shareholder proposals have on discouraging
19 private companies from going public.

20 “(viii) An evaluation of the risk that
21 shareholder proposals may contribute to
22 the balkanization of the U.S. economy over
23 time.

24 “(ix) A thorough assessment of the
25 economic analysis, if any, conducted by

1 proxy advisory firms and institutional
2 shareholders when recommending or voting
3 in favor of shareholder proposals.

4 “(x) A review of the extent to which
5 institutional investors, who owe fiduciary
6 duties, rely on proxy advisory firm rec-
7 ommendations.

8 “(xi) An assessment of whether, in
9 light of their significant influence on cor-
10 porate actions and vote outcomes, proxy
11 advisors are subject to sufficient and effec-
12 tive regulation to ensure that their policies
13 and recommendations are accurate, free of
14 conflicts, and benefit the economic best in-
15 terest of shareholders at large.

16 “(D) REPORT.—At the completion of each
17 study required under subparagraph (A) the
18 Commission shall issue a report to the Com-
19 mittee on Banking, Housing, and Urban Affairs
20 of the Senate and the Committee on Financial
21 Services of the House of Representatives that
22 includes the results of the study.”.

1 **TITLE VI—REGISTRATION OF**
2 **PROXY ADVISORY FIRMS**

3 **SEC. 601. REGISTRATION OF PROXY ADVISORY FIRMS.**

4 (a) AMENDMENT.—The Securities Exchange Act of
5 1934 (15 U.S.C. 78a et seq.) is amended by inserting after
6 section 15G the following new section:

7 **“SEC. 15H. REGISTRATION OF PROXY ADVISORY FIRMS.**

8 “(a) CONDUCT PROHIBITED.—It shall be unlawful
9 for a proxy advisory firm to make use of the mails or any
10 means or instrumentality of interstate commerce to pro-
11 vide proxy voting advice, research, analysis, ratings or rec-
12 ommendations to any client, unless such proxy advisory
13 firm is registered under this section.

14 “(b) REGISTRATION PROCEDURES.—

15 “(1) APPLICATION FOR REGISTRATION.—

16 “(A) IN GENERAL.—A proxy advisory firm
17 shall file with the Commission an application
18 for registration, in such form as the Commis-
19 sion shall require, by rule, and containing the
20 information described in subparagraph (B).

21 “(B) REQUIRED INFORMATION.—An appli-
22 cation for registration under this section shall
23 contain—

1 “(i) a certification that the applicant
2 is able to consistently provide proxy advice
3 based on accurate information;

4 “(ii) with respect to clients of the ap-
5 plicant that vote shares held on behalf of
6 shareholders, a certification that the appli-
7 cant—

8 “(I) will provide proxy voting ad-
9 vice only in the best economic interest
10 of those shareholders; and

11 “(II) has the requisite expertise
12 to ensure that voting recommenda-
13 tions are in the best economic interest
14 of those shareholders;

15 “(iii) information on the procedures
16 and methodologies that the applicant uses
17 to ensure that proxy voting recommenda-
18 tions are in the best economic interest of
19 the ultimate shareholders;

20 “(iv) information on the organiza-
21 tional structure of the applicant;

22 “(v) an explanation of whether or not
23 the applicant has in effect a code of ethics,
24 and if not, the reasons therefor;

1 “(vi) a description of any potential or
2 actual conflict of interest relating to the
3 provision of proxy advisory services, includ-
4 ing those arising out of or resulting from
5 the ownership structure of the applicant or
6 the provision of other services by the appli-
7 cant or any person associated with the ap-
8 plicant;

9 “(vii) the policies and procedures in
10 place to publicly disclose and manage con-
11 flicts of interest under subsection (f);

12 “(viii) information related to the pro-
13 fessional and academic qualifications of
14 staff tasked with providing proxy advisory
15 services; and

16 “(ix) any other information and docu-
17 ments concerning the applicant and any
18 person associated with such applicant as
19 the Commission, by rule, may prescribe as
20 necessary or appropriate in the public in-
21 terest or for the protection of investors.

22 “(2) REVIEW OF APPLICATION.—

23 “(A) INITIAL DETERMINATION.—Not later
24 than 90 days after the date on which the appli-
25 cation for registration is filed with the Commis-

1 sion under paragraph (1) (or within such longer
2 period as to which the applicant consents) the
3 Commission shall—

4 “(i) by order, grant registration; or

5 “(ii) institute proceedings to deter-
6 mine whether registration should be de-
7 nied.

8 “(B) CONDUCT OF PROCEEDINGS.—

9 “(i) CONTENT.—Proceedings referred
10 to in subparagraph (A)(ii) shall—

11 “(I) include notice of the grounds
12 for denial under consideration and an
13 opportunity for hearing; and

14 “(II) be concluded not later than
15 120 days after the date on which the
16 application for registration is filed
17 with the Commission under paragraph
18 (1).

19 “(ii) DETERMINATION.—At the con-
20 clusion of such proceedings, the Commis-
21 sion, by order, shall grant or deny such ap-
22 plication for registration.

23 “(iii) EXTENSION AUTHORIZED.—The
24 Commission may extend the time for con-
25 clusion of such proceedings for not longer

1 than 90 days, if the Commission finds
2 good cause for such extension and pub-
3 lishes its reasons for so finding, or for such
4 longer period as to which the applicant
5 consents.

6 “(C) GROUNDS FOR DECISION.—The Com-
7 mission shall grant registration under this sub-
8 section—

9 “(i) if the Commission finds that the
10 requirements of this section are satisfied;
11 and

12 “(ii) unless the Commission finds (in
13 which case the Commission shall deny such
14 registration) that—

15 “(I) the applicant has failed to
16 certify to the Commission’s satisfac-
17 tion that it is able to consistently pro-
18 vide proxy advice based on accurate
19 information and to materially comply
20 with the procedures and methodolo-
21 gies disclosed under paragraph (1)(B)
22 and with subsections (f) and (g); or

23 “(II) if the applicant were so reg-
24 istered, its registration would be sub-

1 ject to suspension or revocation under
2 subsection (d).

3 “(3) PUBLIC AVAILABILITY OF INFORMATION.—
4 Subject to section 24, the Commission shall make
5 the information and documents submitted to the
6 Commission by a proxy advisory firm in its com-
7 pleted application for registration, or in any amend-
8 ment submitted under paragraph (1) or (2) of sub-
9 section (c), publicly available on the Commission’s
10 website, or through another comparable, readily ac-
11 cessible means.

12 “(c) UPDATE OF REGISTRATION.—

13 “(1) UPDATE.—Each registered proxy advisory
14 firm shall promptly amend and update its applica-
15 tion for registration under this section if any infor-
16 mation or document provided therein becomes mate-
17 rially inaccurate, except that a registered proxy advi-
18 sory firm is not required to amend the information
19 required to be filed under subsection (b)(1)(B)(i) by
20 filing information under this paragraph, but shall
21 amend such information in the annual submission of
22 the organization under paragraph (2) of this sub-
23 section.

24 “(2) CERTIFICATION.—Not later than 90 cal-
25 endar days after the end of each calendar year, each

1 registered proxy advisory firm shall file with the
2 Commission an amendment to its registration, in
3 such form as the Commission, by rule, may prescribe
4 as necessary or appropriate in the public interest or
5 for the protection of investors—

6 “(A) certifying that the information and
7 documents in the application for registration of
8 such registered proxy advisory firm continue to
9 be accurate in all material respects; and

10 “(B) listing any material change that oc-
11 curred to such information or documents during
12 the previous calendar year.

13 “(d) CENSURE, DENIAL, OR SUSPENSION OF REG-
14 ISTRATION; NOTICE AND HEARING.—The Commission, by
15 order, shall censure, place limitations on the activities,
16 functions, or operations of, suspend for a period not ex-
17 ceeding 12 months, or revoke the registration of any reg-
18 istered proxy advisory firm if the Commission finds, on
19 the record after notice and opportunity for hearing, that
20 such censure, placing of limitations, suspension, or revoca-
21 tion is necessary for the protection of investors and in the
22 public interest and that such registered proxy advisory
23 firm, or any person associated with such an organization,
24 whether prior to or subsequent to becoming so associ-
25 ated—

1 “(1) has committed or omitted any act, or is
2 subject to an order or finding, enumerated in sub-
3 paragraph (A), (D), (E), (H), or (G) of section
4 15(b)(4), has been convicted of any offense specified
5 in section 15(b)(4)(B), or is enjoined from any ac-
6 tion, conduct, or practice specified in subparagraph
7 (C) of section 15(b)(4), during the 10-year period
8 preceding the date of commencement of the pro-
9 ceedings under this subsection, or at any time there-
10 after;

11 “(2) has been convicted during the 10-year pe-
12 riod preceding the date on which an application for
13 registration is filed with the Commission under this
14 section, or at any time thereafter, of—

15 “(A) any crime that is punishable by im-
16 prisonment for 1 or more years, and that is not
17 described in section 15(b)(4)(B); or

18 “(B) a substantially equivalent crime by a
19 foreign court of competent jurisdiction;

20 “(3) is subject to any order of the Commission
21 barring or suspending the right of the person to be
22 associated with a registered proxy advisory firm;

23 “(4) fails to furnish the certifications required
24 under subsections (b)(2)(C)(ii)(I) and (c)(2);

1 “(5) has engaged in one or more prohibited acts
2 enumerated in paragraph (1);

3 “(6) fails to maintain adequate financial and
4 managerial resources to consistently offer advisory
5 services to clients that vote shares held on behalf of
6 shareholders consistent with the best economic inter-
7 est of those shareholders, including by failing to
8 comply with subsection (f) or (g);

9 “(7) fails to maintain adequate expertise to en-
10 sure that proxy advisory services for clients that vote
11 shares held on behalf of shareholders are tied to the
12 best economic interest of those shareholders; or

13 “(8) engages in a prohibited act enumerated in
14 subsection (j).

15 “(e) TERMINATION OF REGISTRATION.—

16 “(1) VOLUNTARY WITHDRAWAL.—A registered
17 proxy advisory firm may, upon such terms and con-
18 ditions as the Commission may establish as nec-
19 essary in the public interest or for the protection of
20 investors, which terms and conditions shall include
21 at a minimum that the registered proxy advisory
22 firm will no longer conduct such activities as to
23 bring it within the definition of proxy advisory firm
24 in section 3(a)(81), withdraw from registration by

1 filing a written notice of withdrawal to the Commis-
2 sion.

3 “(2) COMMISSION AUTHORITY.—In addition to
4 any other authority of the Commission under this
5 title, if the Commission finds that a registered proxy
6 advisory firm is no longer in existence or has ceased
7 to do business as a proxy advisory firm, the Com-
8 mission, by order, shall cancel the registration under
9 this section of such registered proxy advisory firm.

10 “(f) MANAGEMENT OF CONFLICTS OF INTEREST.—

11 “(1) ORGANIZATION POLICIES AND PROCE-
12 DURES.—Each registered proxy advisory firm shall
13 establish, maintain, and enforce written policies and
14 procedures reasonably designed, taking into consid-
15 eration the nature of the business of such registered
16 proxy advisory firm and associated persons, to pub-
17 licly disclose and manage any conflicts of interest
18 that arise or would reasonably be expected to arise
19 from such business.

20 “(2) COMMISSION AUTHORITY.—The Commis-
21 sion shall, within one year of enactment, issue final
22 rules to prohibit, or require the management and
23 public disclosure of, any conflicts of interest relating
24 to the offering of proxy advisory services by a reg-

1 istered proxy advisory firm, including, without limi-
2 tation, conflicts of interest relating to—

3 “(A) the manner in which a registered
4 proxy advisory firm is compensated by the cli-
5 ent, any affiliate of the client, or any other per-
6 son for providing proxy advisory services;

7 “(B) business relationships, ownership in-
8 terests, or any other financial or personal inter-
9 ests between a registered proxy advisory firm,
10 or any person associated with such registered
11 proxy advisory firm, and any client, or any af-
12 filiate of such client;

13 “(C) the formulation of proxy voting poli-
14 cies;

15 “(D) the execution, or assistance with the
16 execution, of proxy votes if such votes are based
17 upon recommendations made by the proxy advi-
18 sory firm in which a person other than the
19 issuer is a proponent; and

20 “(E) any other potential conflict of inter-
21 est, as the Commission deems necessary or ap-
22 propriate in the public interest or for the pro-
23 tection of investors.

24 “(3) DISCLOSURE ON FACTORS INFLUENCING
25 RECOMMENDATIONS.—Each registered proxy advi-

1 sory firm shall annually disclose to the Commission
2 and make publicly available the economic and other
3 factors that a reasonable investor would expect to in-
4 fluence the recommendations of such proxy advisory
5 firm, including the ownership composition of such
6 proxy advisory firm and any meetings with, or feed-
7 back received from, outside entities.

8 “(g) RELIABILITY OF PROXY ADVISORY FIRM SERV-
9 ICES.—

10 “(1) IN GENERAL.—Each registered proxy advi-
11 sory firm shall—

12 “(A) have staff and other resources suffi-
13 cient to produce proxy voting recommendations
14 that are based on accurate and current infor-
15 mation and designed for clients that vote shares
16 held on behalf of shareholders to advance the
17 best economic interest of those shareholders;

18 “(B) implement procedures that permit
19 issuers that are the subject of proxy voting rec-
20 ommendations—

21 “(i) access in a reasonable time to
22 data and information used to make rec-
23 ommendations; and

24 “(ii) a reasonable opportunity to pro-
25 vide meaningful comment and corrections

1 to such data and information, including
2 the opportunity to present (in person or
3 telephonically) details to the person re-
4 sponsible for developing such data and in-
5 formation prior to the publication of proxy
6 voting recommendations to clients;

7 “(C) employ an ombudsman to receive
8 complaints about the accuracy of information
9 used in making recommendations from the com-
10 panies that are the subject of the proxy advi-
11 sory firm’s voting recommendations and seek to
12 resolve those complaints in a timely fashion and
13 prior to the publication of proxy voting rec-
14 ommendations to clients; and

15 “(D) if the ombudsman is unable to re-
16 solve a complaint to a company’s satisfaction
17 prior to the publication of proxy voting rec-
18 ommendations to clients, include in the final re-
19 port of the firm to clients—

20 “(i) a statement detailing the com-
21 pany’s complaints, if requested in writing
22 by the company; and

23 “(ii) a statement explaining why the
24 proxy voting recommendation is in the best
25 economic interest of shareholders.

1 “(2) DEFINITIONS.—In this subsection:

2 “(A) DATA AND INFORMATION USED TO
3 MAKE RECOMMENDATIONS.—The term ‘data
4 and information used to make voting rec-
5 ommendations’—

6 “(i) means the financial, operational,
7 or descriptive data and information on an
8 issuer used by proxy advisory firms and
9 any contextual or substantive analysis im-
10 pacting the recommendation; and

11 “(ii) does not include the entirety of
12 the proxy advisory firm’s final report to its
13 clients.

14 “(B) REASONABLE TIME.—The term ‘rea-
15 sonable time’—

16 “(i) means not less than 1 week be-
17 fore the publication of proxy voting rec-
18 ommendations for clients; and

19 “(ii) shall not otherwise interfere with
20 a proxy advisory firm’s ability to provide
21 its clients with timely access to accurate
22 proxy voting research, analysis, or rec-
23 ommendations.

24 “(h) PRIVATE RIGHT OF ACTION WITH RESPECT TO
25 ILLEGAL RECOMMENDATIONS.—Any proxy advisory firm

1 that endorses a proposal that is not supported by the
2 issuer but is approved and subsequently found by a court
3 of competent jurisdiction to violate State or Federal law
4 shall be liable to the applicable issuer for the costs associ-
5 ated with the approval of such proposal, including imple-
6 mentation costs and any penalties incurred by the issuer.

7 “(i) DESIGNATION OF COMPLIANCE OFFICER.—Each
8 registered proxy advisory firm shall designate an indi-
9 vidual who reports directly to senior management as re-
10 sponsible for administering the policies and procedures
11 that are required to be established pursuant to subsections
12 (f) and (g), and for ensuring compliance with the securi-
13 ties laws and the rules and regulations thereunder, includ-
14 ing those promulgated by the Commission pursuant to this
15 section.

16 “(j) PROHIBITED CONDUCT.—

17 “(1) PROHIBITED ACTS AND PRACTICES.—Not
18 later than one year after the date of enactment of
19 this section, the Commission shall issue final rules
20 to prohibit any act or practice relating to the offer-
21 ing of proxy advisory services by a registered proxy
22 advisory firm that the Commission determines to be
23 unfair, coercive, or abusive, including any act or
24 practice relating to—

1 “(A) advisory or consulting services (of-
2 ferred directly or indirectly, including through
3 an affiliate) related to corporate governance
4 issues; or

5 “(B) modifying a voting recommendation
6 or otherwise departing from its adopted system-
7 atic procedures and methodologies in the provi-
8 sion of proxy advisory services, based on wheth-
9 er an issuer, or affiliate thereof, subscribes or
10 will subscribe to other services or product of the
11 registered proxy advisory firm or any person as-
12 sociated with such organization.

13 “(2) RULE OF CONSTRUCTION.—Nothing in
14 paragraph (1), or in any rules or regulations adopt-
15 ed thereunder, may be construed to modify, impair,
16 or supersede the operation of any of the antitrust
17 laws (as defined in the first section of the Clayton
18 Act, except that such term includes section 5 of the
19 Federal Trade Commission Act, to the extent that
20 such section 5 applies to unfair methods of competi-
21 tion).

22 “(k) STATEMENTS OF FINANCIAL CONDITION.—
23 Each registered proxy advisory firm shall, on a confiden-
24 tial basis, file with the Commission, at intervals deter-
25 mined by the Commission, such financial statements, cer-

1 tified (if required by the rules or regulations of the Com-
2 mission) by an independent public auditor, and informa-
3 tion concerning its financial condition, as the Commission,
4 by rule, may prescribe as necessary or appropriate in the
5 public interest or for the protection of investors.

6 “(1) ANNUAL REPORT.—

7 “(1) IN GENERAL.—Each registered proxy advi-
8 sory firm shall, not later than 90 calendar days after
9 the end of each fiscal year, file with the Commission
10 and make publicly available an annual report in such
11 form as the Commission, by rule, may prescribe as
12 necessary or appropriate in the public interest or for
13 the protection of investors.

14 “(2) CONTENTS.—Each annual report required
15 under paragraph (1) shall include, at a minimum,
16 disclosure by the registered proxy advisory firm of
17 the following:

18 “(A) A list of shareholder proposals the
19 staff of the registered proxy advisory firm re-
20 viewed in the prior fiscal year.

21 “(B) A list of the recommendations made
22 in the prior fiscal year.

23 “(C) The economic analysis conducted to
24 determine that final recommendations provided
25 in the prior fiscal year (other than rec-

1 ommendations relating to an issuer-sponsored
2 proposal or recommendations consistent with
3 that of a board of directors composed of a ma-
4 jority of independent directors) delivered to cli-
5 ents that vote shares held on behalf of share-
6 holders were in the best economic interest of
7 those shareholders.

8 “(D) The staff who reviewed and made
9 recommendations on such proposals in the prior
10 fiscal year.

11 “(E) The qualifications of such staff to en-
12 sure that each of the recommendations for cli-
13 ents that vote shares held on behalf of share-
14 holders were tied to the best economic interest
15 of those shareholders.

16 “(F) The recommendations made in the
17 prior fiscal year where the proponent of such
18 recommendation was a client of or received
19 services from the proxy advisory firm.

20 “(G) A certification by the chief executive
21 officer, chief financial officer, and the primary
22 executive responsible for overseeing the compila-
23 tion and dissemination of proxy voting advice
24 that the final recommendations (other than rec-
25 ommendations relating to an issuer-sponsored

1 proposal or recommendations consistent with
2 that of a board of directors composed of a ma-
3 jority of independent directors) delivered to cli-
4 ents that vote shares held on behalf of share-
5 holders in the last fiscal year—

6 “(i) were based on internal controls
7 and procedures that are designed to ensure
8 accurate information and that such inter-
9 nal controls and procedures are effective;

10 “(ii) do not violate applicable State or
11 Federal law; and

12 “(iii) were based on the best economic
13 interest of those shareholders.

14 “(H) The economic and other factors that
15 a reasonable investor would expect to influence
16 the recommendations of such proxy advisory
17 firm, including the ownership composition of
18 such proxy advisory firm.

19 “(m) **TRANSPARENT POLICIES.**—Each registered
20 proxy advisory firm shall file with the Commission and
21 make publicly available its methodology for the formula-
22 tion of proxy voting policies and voting recommendations
23 to clients that vote shares held on behalf of shareholders
24 and how that methodology ensures that the firm’s voting

1 recommendations are in the best economic interest of
2 those shareholders.

3 “(n) RULES OF CONSTRUCTION.—Registration under
4 and compliance with this section does not constitute a
5 waiver of, or otherwise diminish, any right, privilege, or
6 defense that a registered proxy advisory firm may other-
7 wise have under any provision of State or Federal law,
8 including any rule, regulation, or order thereunder.

9 “(o) REGULATIONS.—

10 “(1) NEW PROVISIONS.—Such rules and regula-
11 tions as are required by this section or are otherwise
12 necessary to carry out this section, including the ap-
13 plication form required under subsection (a)—

14 “(A) shall be issued by the Commission,
15 not later than 180 days after the date of enact-
16 ment of this section; and

17 “(B) shall become effective not later than
18 1 year after the date of enactment of this sec-
19 tion.

20 “(2) REVIEW OF EXISTING REGULATIONS.—Not
21 later than 270 days after the date of enactment of
22 this section, the Commission shall—

23 “(A) review its existing rules and regula-
24 tions which affect the operations of proxy advi-
25 sory firms; and

1 “(B) amend or revise such rules and regu-
2 lations in accordance with the purposes of this
3 section, and issue such guidance as the Com-
4 mission may prescribe as necessary or appro-
5 priate in the public interest or for the protec-
6 tion of investors.

7 “(p) APPLICABILITY.—This section, other than sub-
8 section (n), which shall apply on the date of enactment
9 of this section, shall apply on the earlier of—

10 “(1) the date on which regulations are issued in
11 final form under subsection (o)(1); or

12 “(2) 270 days after the date of enactment of
13 this section.

14 “(q) BEST ECONOMIC INTEREST DEFINED.—In this
15 section, the term ‘best economic interest’ means decisions
16 that seek to maximize investment returns over a time hori-
17 zon consistent with the investment objectives and risk
18 management profile of the fund in which the shareholders
19 are invested.”.

20 (b) CONFORMING AMENDMENT.—Section 17(a)(1) of
21 the Securities Exchange Act of 1934 (15 U.S.C.
22 78q(a)(1)) is amended by inserting “proxy advisory firm,”
23 after “nationally recognized statistical rating organiza-
24 tion,”.

1 (c) PROXY ADVISORY FIRM DEFINITIONS.—Section
2 3(a) of the Securities Exchange Act of 1934 (15 U.S.C.
3 78c(a)) is amended by adding at the end the following:

4 “(82) PROXY ADVISORY FIRM.—The term
5 ‘proxy advisory firm’—

6 “(A) means any person who is primarily
7 engaged in the business of providing proxy vot-
8 ing advice, research, analysis, ratings, or rec-
9 ommendations to clients, which conduct con-
10 stitutes a solicitation within the meaning of sec-
11 tion 14; and

12 “(B) does not include any person that is
13 exempt under law or regulation from the re-
14 quirements otherwise applicable to persons en-
15 gaged in such a solicitation.

16 “(83) PERSON ASSOCIATED WITH A PROXY AD-
17 VISORY FIRM.—With respect to a proxy advisory
18 firm—

19 “(A) a person is ‘associated’ with the
20 proxy advisory firm if the person is—

21 “(i) a partner, officer, or director of
22 the proxy advisory firm (or any person oc-
23 cupying a similar status or performing
24 similar functions);

1 “(ii) a person directly or indirectly
2 controlling, controlled by, or under com-
3 mon control with the proxy advisory firm;

4 “(iii) an employee of the proxy advi-
5 sory firm; or

6 “(iv) a person the Commission deter-
7 mines by rule is controlled by the proxy
8 advisory firm; and

9 “(B) a person is not ‘associated’ with the
10 proxy advisory firm if the person only performs
11 clerical or ministerial functions with respect to
12 a proxy advisory firm.”.

13 **TITLE VII—LIABILITY FOR CER-**
14 **TAIN FAILURES TO DISCLOSE**
15 **MATERIAL INFORMATION OR**
16 **MAKING OF MATERIAL**
17 **MISSTATEMENTS**

18 **SECTION 701. LIABILITY FOR CERTAIN FAILURES TO DIS-**
19 **CLOSE MATERIAL INFORMATION OR MAKING**
20 **OF MATERIAL MISSTATEMENTS.**

21 Section 14 of the Securities Exchange Act of 1934
22 (15 U.S.C. 78n) is amended by adding at the end the fol-
23 lowing:

24 “(1) FALSE OR MISLEADING STATEMENTS.—For
25 purposes of section 18, the failure to disclose material in-

1 formation (such as a proxy voting advice business’s meth-
2 odology, sources of information, or conflicts of interest)
3 or the making of a material misstatement regarding proxy
4 voting advice that makes a recommendation to a security
5 holder as to the security holder’s vote, consent, or author-
6 ization on a specific matter for which security holder ap-
7 proval is solicited, and that is furnished by a person that
8 markets the person’s expertise as a provider of such proxy
9 voting advice separately from other forms of investment
10 advice, and sells such proxy voting advice for a fee, shall
11 be considered to be false or misleading with respect to a
12 material fact.”.

13 **TITLE VIII—DUTIES OF INVEST-**
14 **MENT ADVISORS, ASSET MAN-**
15 **AGERS, AND PENSION FUNDS**

16 **SEC. 801. DUTIES OF INVESTMENT ADVISORS, ASSET MAN-**
17 **AGERS, AND PENSION FUNDS.**

18 Section 13(f) of the Securities Exchange Act of 1934
19 (15 U.S.C. 78m(f)) is amended by adding at the end the
20 following:

21 “(7) DISCLOSURES BY INSTITUTIONAL INVEST-
22 MENT MANAGERS IN CONNECTION WITH PROXY AD-
23 VISORY FIRMS.—

24 “(A) IN GENERAL.—Every institutional in-
25 vestment manager which uses the mails, or any

1 means or instrumentality of interstate com-
2 merce in the course of its business as an insti-
3 tutional investment manager, which engages a
4 proxy advisory firm, and which exercises voting
5 power with respect to accounts holding equity
6 securities of a class described in subsection
7 (d)(1) or otherwise becomes or is deemed to be-
8 come a beneficial owner of any security of a
9 class described in subsection (d)(1) upon the
10 purchase or sale of a security-based swap that
11 the Commission may define by rule, shall file an
12 annual report with the Commission con-
13 taining—

14 “(i) an explanation of how the institu-
15 tional investment manager voted with re-
16 spect to each shareholder proposal;

17 “(ii) the percentage of votes cast on
18 shareholder proposals that were consistent
19 with proxy advisory firm recommendations,
20 for each proxy advisory firm retained by
21 the institutional investment manager;

22 “(iii) an explanation of—

23 “(I) how the institutional invest-
24 ment manager took into consideration
25 proxy advisory firm recommendations

1 in making voting decisions, including
2 the degree to which the institutional
3 investment manager used those rec-
4 ommendations in making voting deci-
5 sions;

6 “(II) how often the institutional
7 investment manager voted consistent
8 with a recommendation made by a
9 proxy advisory firm, expressed as a
10 percentage;

11 “(III) how such votes are rec-
12 onciled with the fiduciary duty of the
13 institutional investment manager to
14 vote in the best economic interests of
15 shareholders;

16 “(IV) how frequently votes were
17 changed when an error occurred or
18 due to new information from issuers;
19 and

20 “(V) the degree to which invest-
21 ment professionals of the institutional
22 investment manager were involved in
23 proxy voting decisions; and

24 “(iv) a certification that the voting de-
25 cisions of the institutional investment man-

1 ager were based solely on the best eco-
2 nomic interest of the shareholders on be-
3 half of whom the institutional investment
4 manager holds shares.

5 “(B) REQUIREMENTS FOR LARGER INSTI-
6 TUTIONAL INVESTMENT MANAGERS.—Every in-
7 stitutional investment manager described in
8 subparagraph (A) that has an aggregate fair
9 market value on the last trading day in any of
10 the preceding twelve months of at least
11 \$100,000,000,000 shall—

12 “(i) in any materials provided to cus-
13 tomers and related to customers voting
14 their shares, clarify that shareholders are
15 not required to vote on every proposal;

16 “(ii) with respect to each shareholder
17 proposal for which the institutional invest-
18 ment manager votes (other than votes con-
19 sistent with the recommendation of a
20 board of directors composed of a majority
21 of independent directors) perform an eco-
22 nomic analysis before making such vote, to
23 determine that the vote is in the best eco-
24 nomic interest of the shareholders on be-

1 half of whom the institutional investment
2 manager holds shares; and

3 “(iii) include each economic analysis
4 required under clause (ii) in the annual re-
5 port required under subparagraph (A).

6 “(C) CERTIFICATION REQUIREMENT.—
7 Each report required under this paragraph
8 shall be certified by the chief executive officer
9 and chief financial officer of the institutional
10 investment manager.

11 “(D) BEST ECONOMIC INTEREST DE-
12 FINED.—In this paragraph, the term ‘best eco-
13 nomic interest’ means decisions that seek to
14 maximize investment returns over a time hori-
15 zon consistent with the investment objectives
16 and risk management profile of the fund in
17 which shareholders are invested.”.

18 **TITLE IX—PROTECTING**
19 **AMERICANS’ SAVINGS**

20 **SEC. 901. REQUIREMENTS RELATED TO PROXY VOTING.**

21 Section 14 of the Securities Exchange Act of 1934
22 (15 U.S.C. 78n), as amended by section 701, is further
23 amended by adding at the end the following:

24 “(m) PROHIBITION ON ROBOVOTING.—

1 “(1) IN GENERAL.—The Commission shall issue
2 final rules prohibiting the use of robovoting with re-
3 spect to votes related to proxy or consent solicitation
4 materials.

5 “(2) ROBOVOTING DEFINED.—In this sub-
6 section, the term ‘robovoting’ means the practice of
7 automatically voting in a manner consistent with the
8 recommendations of a proxy advisory firm or pre-
9 populating votes on a proxy advisory firm’s elec-
10 tronic voting platform with the proxy advisory firm’s
11 recommendations, in either case, without inde-
12 pendent review and analysis.

13 “(n) PROHIBITION ON OUTSOURCING VOTING DECI-
14 SIONS BY INSTITUTIONAL INVESTORS.—An institutional
15 investor may not outsource voting decisions with respect
16 to votes related to proxy or consent solicitation materials.

17 “(o) NO REQUIREMENT TO VOTE.—No person may
18 be required to cast votes related to proxy or consent solici-
19 tation materials.

20 “(p) PROXY ADVISORY FIRM CALCULATION OF
21 VOTES.—With respect to votes related to proxy or consent
22 solicitation materials with respect to an issuer, a proxy
23 advisor firm shall calculate the vote result consistent with
24 the law of the State in which the issuer is incorporated.”.

1 **TITLE X—EMPOWERING**
2 **SHAREHOLDERS**

3 **SEC. 1001. PROXY VOTING OF PASSIVELY MANAGED FUNDS.**

4 (a) IN GENERAL.—The Investment Advisers Act of
5 1940 (15 U.S.C. 80b–1 et seq.) is amended by inserting
6 after section 208 (15 U.S.C. 80b–8) the following:

7 **“SEC. 208A. PROXY VOTING OF PASSIVELY MANAGED**
8 **FUNDS.**

9 “(a) INVESTMENT ADVISER PROXY VOTING.—

10 “(1) IN GENERAL.—An investment adviser that
11 holds authority to vote a proxy solicited by an issuer
12 pursuant to section 14 of the Securities Exchange
13 Act of 1934 (15 U.S.C. 78n) in connection with any
14 vote of covered securities held by a passively man-
15 aged fund shall—

16 “(A) vote in accordance with the instruc-
17 tions of the beneficial owner of such covered se-
18 curities;

19 “(B) vote in accordance with the voting in-
20 structions of such issuer; or

21 “(C) abstain from voting.

22 “(2) EXCEPTION.—Paragraph (1) shall not
23 apply with respect to a vote on a routine matter.

24 “(b) SAFE HARBOR.—With respect to a matter that
25 is not a routine matter, in the case of a vote described

1 in subsection (a)(1), an investment adviser shall not be
2 liable to any person under any law or regulation of the
3 United States, any constitution, law, or regulation of any
4 State or political subdivision thereof, or under any con-
5 tract or other legally enforceable agreement (including any
6 arbitration agreement), for any of the following:

7 “(1) Not soliciting voting instructing from any
8 person under subsection (a)(1) with respect to such
9 vote.

10 “(2) Voting in accordance with the voting in-
11 structions of an issuer pursuant to subparagraph
12 (B) of such subsection.

13 “(3) Abstaining from voting in accordance with
14 subparagraph (C) of such subsection.

15 “(c) DEFINITIONS.—In this section:

16 “(1) COVERED SECURITY.—The term ‘covered
17 security’—

18 “(A) means a voting security, as that term
19 is defined in section 2(a) of the Investment
20 Company Act of 1940 (15 U.S.C. 80a–2(a)), in
21 which a qualified fund is invested; and

22 “(B) does not include any voting security
23 (as defined in subparagraph (A)) of an issuer
24 registered with the Commission as an invest-

1 ment company under section 8 of the Invest-
2 ment Company Act of 1940 (15 U.S.C. 80a-8).

3 “(2) PASSIVELY MANAGED FUND.—The term
4 ‘passively managed fund’ means a qualified fund
5 that—

6 “(A) is designed to track, or is derived
7 from, an index of securities or a portion of such
8 an index;

9 “(B) discloses that the qualified fund is a
10 passive index fund; or

11 “(C) allocates not less than 40 percent of
12 the total assets of the qualified fund to an in-
13 vestment strategy that is designed to track, or
14 is derived from, an index of securities or a por-
15 tion of such an index fund.

16 “(3) QUALIFIED FUND.—The term ‘qualified
17 fund’ means—

18 “(A) an investment company, as that term
19 is defined in section 3 of the Investment Com-
20 pany Act of 1940 (15 U.S.C. 80a-3);

21 “(B) a private fund;

22 “(C) an eligible deferred compensation
23 plan, as that term is defined in section 457(b)
24 of the Internal Revenue Code of 1986;

1 “(D) a trust, plan, account, or other entity
2 described in section 3(c)(11) of the Investment
3 Company Act of 1940 (15 U.S.C. 80a–
4 3(c)(11));

5 “(E) a plan maintained by an employer de-
6 scribed in clause (i), (ii), or (iii) of section
7 403(b)(1)(A) of the Internal Revenue Code of
8 1986 to provide annuity contracts described in
9 section 403(b) of such Code;

10 “(F) a common trust fund, or similar
11 fund, maintained by a bank;

12 “(G) any fund established under section
13 8438(b)(1) of title 5, United States Code; or

14 “(H) any separate managed account of a
15 client of an investment adviser.

16 “(4) REGISTRANT.—The term ‘registrant’
17 means an issuer of covered securities.

18 “(5) ROUTINE MATTER.—The term ‘routine
19 matter’—

20 “(A) includes a proposal that relates to—

21 “(i) an election with respect to the
22 board of directors of the registrant;

23 “(ii) the compensation of management
24 or the board of directors of the registrant;

25 “(iii) the selection of auditors;

1 “(iv) material conflicts;

2 “(v) declassification; or

3 “(vi) transactions that would trans-
4 form the structure of the registrant, in-
5 cluding—

6 “(I) a merger or consolidation;

7 and

8 “(II) the sale, lease, or exchange
9 of all, or substantially all, of the prop-
10 erty and assets of a registrant; and

11 “(B) does not include—

12 “(i) a proposal that is not submitted
13 to a holder of covered securities by means
14 of a proxy statement comparable to that
15 described in section 240.14a-101 of title
16 17, Code of Federal Regulations, or any
17 successor regulation;

18 “(ii) a proposal that is—

19 “(I) the subject of a counter-so-
20 licitation; or

21 “(II) part of a proposal made by
22 a person other than the applicable
23 registrant;

24 “(iii) any other matter determined by
25 the Commission or an exchange registered

1 under section 6 of the Securities Exchange
2 Act of 1934 (15 U.S.C. 78f) to be not rou-
3 tine.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall take effect on the first August 1 that
6 occurs after the date that is 2 years after the date of en-
7 actment of this Act.

8 **TITLE XI—PROTECTING RETAIL**
9 **INVESTORS’ SAVINGS**

10 **SEC. 1101. BEST INTEREST BASED ON PECUNIARY FAC-**
11 **TORS.**

12 (a) IN GENERAL.—Section 211(g) of the Investment
13 Advisers Act of 1940 (15 U.S.C. 80b–11(g)) is amended
14 by adding at the end the following:

15 “(3) BEST INTEREST BASED ON PECUNIARY
16 FACTORS.—

17 “(A) IN GENERAL.—For purposes of para-
18 graph (1), the best interest of a customer shall
19 be determined using pecuniary factors, which
20 may not be subordinated to or limited by non-
21 pecuniary factors, unless the customer provides
22 informed consent, in writing, that such non-pe-
23 cuniary factors be considered.

24 “(B) DISCLOSURE OF PECUNIARY FAC-
25 TORS.—If a customer provides a broker, dealer,

1 or investment adviser with the informed consent
2 to consider non-pecuniary factors described
3 under subparagraph (A), the broker, dealer, or
4 investment adviser shall—

5 “(i) disclose the expected pecuniary
6 effects to the customer over a time period
7 selected by the customer and not to exceed
8 three years; and

9 “(ii) at the end of the time period de-
10 scribed in clause (i), disclose, by compari-
11 son to a reasonably comparable index or
12 basket of securities selected by the cus-
13 tomer, the actual pecuniary effects of that
14 time period, including all fees, costs, and
15 other expenses incurred to consider non-pe-
16 cuniary factors.

17 “(C) PECUNIARY FACTOR DEFINED.—In
18 this paragraph, the term ‘pecuniary factor’
19 means a factor that a fiduciary prudently deter-
20 mines is expected to have a material effect on
21 the risk or return of an investment based on
22 appropriate investment horizons.”.

23 (b) RULEMAKING.—Not later than the end of the 12-
24 month period beginning on the date of enactment of this
25 Act, the Securities and Exchange Commission shall revise

1 or issue such rules as may be necessary to implement the
2 amendment made by subsection (a).

3 (c) APPLICABILITY.—The amendment made by sub-
4 section (a) shall apply to actions taken by a broker, dealer,
5 or investment adviser beginning on the date that is 12
6 months after the date of enactment of this Act.

7 **SEC. 1102. STUDY ON CLIMATE CHANGE AND OTHER ENVI-**
8 **RONMENTAL DISCLOSURES IN MUNICIPAL**
9 **BOND MARKET.**

10 (a) IN GENERAL.—The Securities and Exchange
11 Commission shall—

12 (1) conduct a study to determine the extent to
13 which issuers of municipal securities (as such term
14 is defined in section 3(a)(29) of the Securities Ex-
15 change Act of 1934 (15 U.S.C. 78c(a)(29)) make
16 disclosures to investors regarding climate change
17 and other environmental matters; and

18 (2) solicit public comment with respect to such
19 study.

20 (b) CONTENTS.—The study required under sub-
21 section (a) shall consider and analyze—

22 (1) the frequency with which disclosures de-
23 scribed in subsection (a)(1) are made;

24 (2) whether such disclosures made by issuers of
25 municipal securities in connection with offerings of

1 securities align with such disclosures made by
2 issuers of municipal securities in other contexts or to
3 audiences other than investors;

4 (3) any voluntary or mandatory disclosure
5 standards observed by issuers of municipal securities
6 in the course of making such disclosures;

7 (4) the degree to which investors consider such
8 disclosures in connection with making an investment
9 decision; and

10 (5) such other information as the Securities
11 and Exchange Commission determines appropriate.

12 (c) REPORT.—Not later than 1 year after the date
13 of the enactment of this Act, the Securities and Exchange
14 Commission shall submit to the Committee on Banking,
15 Housing, and Urban Affairs of the Senate and the Com-
16 mittee on Financial Services of the House of Representa-
17 tives a report that includes—

18 (1) the results of the study required under this
19 section;

20 (2) a detailed discussion of the financial risks
21 to investors from investments in municipal securi-
22 ties;

23 (3) whether such risks are adequately disclosed
24 to investors; and

1 (4) recommended regulatory or legislative steps
2 to address any concerns identified in the study.

3 **SEC. 1103. STUDY ON SOLICITATION OF MUNICIPAL SECURITIES BUSINESS.**
4

5 (a) IN GENERAL.—The Securities and Exchange
6 Commission shall—

7 (1) conduct a study on the effectiveness of each
8 covered rule in preventing the payment of funds to
9 elected officials or candidates for elected office in ex-
10 change for the receipt of government business in
11 connection with the offer or sale of municipal securi-
12 ties; and

13 (2) solicit public comment with respect to such
14 study.

15 (b) CONTENTS.—The study required under sub-
16 section (a) shall consider and analyze—

17 (1) the effectiveness of each covered rule, in-
18 cluding whether each covered rule accomplishes the
19 intended effect of such covered rule and has any un-
20 intended adverse effects;

21 (2) the frequency and scope of enforcement ac-
22 tions undertaken pursuant to each covered rule;

23 (3) the degree to which—

24 (A) persons subject to each covered rule—

1 (i) have in effect policies and proce-
2 dures intended to ensure compliance with
3 each such covered rule; and

4 (ii) are disadvantaged from partici-
5 pating in the political process generally
6 and in relation to persons who solicit or re-
7 ceive government business or government
8 licenses, permits, and approvals other than
9 in connection with the offer or sale of mu-
10 nicipal securities; and

11 (B) other State and Federal laws and reg-
12 ulations impact the solicitation of municipal se-
13 curities business; and

14 (4) such other information as the Securities
15 and Exchange Commission determines appropriate.

16 (c) REPORT.—Not later than 1 year after the date
17 of the enactment of this Act, the Securities and Exchange
18 Commission shall submit to the Committee on Banking,
19 Housing, and Urban Affairs of the Senate and the Com-
20 mittee on Financial Services of the House of Representa-
21 tives a report that includes—

22 (1) the results of the study required under this
23 section;

24 (2) an analysis of the extent to which persons
25 affiliated with small businesses, as well as persons

1 affiliated with minority and women opened busi-
2 nesses, have been affected by the covered rules; and

3 (3) recommended regulatory or legislative steps
4 to address any concerns identified in the study.

5 (d) DEFINITIONS.—In this section:

6 (1) COVERED RULE.—The term “covered rule”
7 means—

8 (A) Rule G–38 of the Municipal Securities
9 Rulemaking Board; and

10 (B) Rule 206(4)–5 (17 CFR 275.206(4)–
11 5).

12 (2) MUNICIPAL SECURITIES.—The term “mu-
13 nicipal securities” has the meaning given the term in
14 section 3(a)(29) of the Securities Exchange Act of
15 1934 (15 U.S.C. 78c(a)(29)).

○