



441 G St. N.W.
Washington, DC 20548

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January 4, 2023

Committee on Banking, Housing, and Urban Affairs
United States Senate

Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (SEC) entitled “Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers” (RIN: 3235-AK67). We received the rule on November 2, 2022. It was published in the *Federal Register* as a final rule on December 22, 2022. 87 Fed. Reg. 78770. The effective date is July 1, 2024.

According to SEC, it is adopting amendments to Form N-PX under the Investment Company Act (ICA) of 1940 to enhance the information mutual funds, exchange-traded funds, and certain other funds currently report about their proxy votes and to make that information easier to analyze. 15 U.S.C. §§ 80a-4, 80a-5(a)(1). SEC stated that it is also adopting rule and form amendments under the Securities Exchange Act of 1934 (Exchange Act) that would require an institutional investment manager subject to the Exchange Act to report on Form N-PX how it voted proxies relating to executive compensation matters, as required by the Exchange Act. 15 U.S.C. §§ 78a–78qq. SEC also stated that the reporting requirements for institutional investment managers complete implementation of those requirements added by the Dodd-Frank Wall Street Reform and Consumer Protection Act. See 15 U.S.C. § 78n-1.

Enclosed is our assessment of SEC’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shari Brewster, Assistant General Counsel, at (202) 512-6398.

A handwritten signature in black ink that reads "Shirley A. Jones". The signature is written in a cursive, flowing style.

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Vanessa A. Countryman
Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
“ENHANCED REPORTING OF PROXY VOTES
BY REGISTERED MANAGEMENT INVESTMENT COMPANIES;
REPORTING OF EXECUTIVE COMPENSATION VOTES
BY INSTITUTIONAL INVESTMENT MANAGERS”
(RIN: 3235-AK67)

(i) Cost-benefit analysis

The Securities and Exchange Commission (SEC) conducted an economic analysis for this final rule. Among several benefits discussed, SEC stated that the final rule will benefit fund investors, other market participants, and proxy voting data users, by enhancing the information funds currently report about their proxy votes and making that information easier to collect and analyze. Additionally, SEC stated that the final rule will enable investors to observe how managers exercised their proxy votes regarding say-on-pay votes and, to the extent information contained in say-on-pay votes is understood and valued by investors, investors can benefit from using this additional information in selecting managers that vote say-on-pay matters according to investor preference. Among the various costs discussed, SEC stated the rule will lead to some additional costs for funds and that any portion of these costs that is not borne by a fund's adviser or other sponsor will ultimately be borne by the fund's shareholders. Also, SEC stated that the final rule will lead to some additional costs for managers associated with disclosing required information about their say-on-pay votes and that any portion of these costs that is not borne by the manager will ultimately be borne by the manager's clients.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603–605, 607, and 609

SEC certified that the final rule would not have a significant economic impact on a substantial number of small entities. SEC prepared a Final Regulatory Flexibility Analysis. The analysis included (1) a statement of the need for and objectives of the rule; (2) a description of significant issues raised by public comments; (3) a description of the small entities subject to the rule; (4) projected reporting, recordkeeping, and other compliance requirements; and (5) a description of agency actions to minimize effects on small entities.

(iii) Agency actions relevant to sections 202–205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532–1535

As an independent regulatory agency, SEC is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.*

On October 15, 2021, SEC published a proposed rule. 85 Fed. Reg. 57478. SEC stated that it received a number of comment letters on the proposed rule. SEC addressed comments throughout the preamble of the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501–3520

SEC determined that this final rule contains collection of information requirements and it submitted these requirements to the Office of Management and Budget (OMB) for review. SEC stated that the title for the collection of information is, “Form N-PX—Annual Report of Proxy Voting Record” (OMB Control Number 3235-0582). SEC estimates the total annual burden hours of the information collection requirements to be 380,741 hours and the total annual burden cost to be \$36,141,445.

Statutory authorization for the rule

SEC promulgated this final rule pursuant to sections 77e, 77f, 77g, 77j, 77s(a), 77z-3, 78d-1, 78d-2, 78j, 78m, 78n-1, 78o, 78w, 78x, 78ll, 78mm, 80a-6, 80a-8, 80a-24, 80a-29, 80a-30, 80a-37, 80a-44 and 80b-4 of title 15, United States Code.

Executive Order No. 12866 (Regulatory Planning and Review)

As an independent regulatory agency, SEC is not subject to the Order.

Executive Order No. 13132 (Federalism)

As an independent regulatory agency, SEC is not subject to the Order.