

SEC's Clayton indicates support for limiting shareholder proposals

<https://www.politicopro.com/financial-services/story/2017/07/secs-clayton-indicates-support-for-limiting-shareholder-proposals-160136>

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07/26/2017 11:22 AM EDT

Securities and Exchange Commission Chairman Jay Clayton on Wednesday signaled he is open to limiting shareholder proposals, suggesting that such efforts by activist investors are often not in a company's best interests.

"Idiosyncratic interests" that a small number of investors might agitate for at a company should be weighed against the cost they pose to the firm's broader shareholder base, Clayton said.

Speaking at the Chamber of Commerce, which wants the SEC to restrict shareholder proposals, Clayton was asked about the costs that companies face from such proposals. Pension funds, religious organizations and other investors often pressure corporate board directors to make uncomfortable changes ranging from executive compensation to climate change disclosure.

Clayton did not offer an opinion on any of the Chamber's seven recommendations for shareholder proposals that the business lobbying group released on Tuesday. Instead, he said: "Anytime that there are deeply held views by a few people, but it gets spread over a lot of people, you have a tendency to not look at who's bearing those costs.

"It is very important for us to ask ourselves how much costs should the client shareholder, the ordinary shareholder, how much should they bear for idiosyncratic interests of others," he said.

Separately, Clayton made no strong pronouncements on shareholder "proxy" advisory firms, a sector dominated by Institutional Shareholder Services Inc and Glass Lewis & Co. For years, the Chamber has railed against these businesses for the advice they give to investors that occasionally contradict what corporate directors want to do.

"We have some entities that have a fair amount of influence on the governance of our public companies," Clayton said. "And as regulators, developments that have a substantial impact on markets are things that we should look at.

"Do I have a definitive view today for you? No. But is it something we are all looking at and the commission is mindful of, yes," Clayton said.