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CII, Institutional Investors Send Letters to Congress Opposing Shareholder-Unfriendly Bills

Washington, D.C., June 13, 2016—Ahead of a June 15 mark up of legislation by the U.S. House Financial Services Committee, the Council of Institutional Investors (CII) sent letters to committee leaders today opposing two bills that could undermine shareholders' rights at U.S. public companies.

The first piece of legislation slated for mark up, [H. R. 5311](#), sponsored by Rep. Sean Duffy (R-Wis.), would create a new mandatory registration scheme for proxy advisory firms. Among other requirements, the bill mandates that proxy advisory firms: share draft reports with management of companies subject to recommendations; employ an ombudsman to receive complaints "from the subjects" of the recommendations; and resolve any complaints before a vote takes place. The bill would also let an "aggrieved" company file a lawsuit against the proxy advisory firm based on provisions of the statute.

CII's [letter](#) co-signed by 27 members and other institutional investors, warns leaders of the House Financial Services Committee that the bill could eliminate effective and cost-efficient independent research, analysis and informed proxy voting advice. Co-signers include representatives of U.S. and European public pension funds and asset managers.

The bill "would give companies the right to preview proxy advisory firm reports and lobby the report writer(s) to change their recommendations," CII Executive Director Ken Bertsch says in the letter. "Financial Industry Regulatory Authority (FINRA) rules specifically prohibit the same type of pre-review of financial analyst reports. We believe this right of pre-review will give company managements substantial editorial influence on reports on their companies."

Separately, CII sent another [letter](#) to the committee leaders opposing a different bill, [H.R. 5429](#), sponsored Rep. Scott Garrett (R-N.J.), which would impose onerous new requirements for cost-benefit analysis on the Securities and Exchange Commission (SEC). CII says in its letter that the legislation could effectively paralyze the SEC's rulemaking process.

CII's concerns with both bills are detailed in [written testimony](#) submitted for a May 17 House subcommittee hearing.

The Council of Institutional Investors (CII) is a nonprofit association of pension funds, other employee benefit funds, endowments and foundations, with combined assets that exceed \$3 trillion. CII is a leading voice for effective corporate governance and strong shareowner rights. CII educates its members, policymakers and the public about corporate governance, shareowner rights and related investment issues, and advocates on its members' behalf.