House suspend the rules and pass the bill, as amended.

This is a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 411, nays 0, not voting 20, as follows:

[Roll No. 700]

YEAS—411

Abraham
Adams
Aderholt
Aguilar
Allen
Amash
Amodei
Arrington
Babin
Bacon
Banks (IN)
Barletta
Barr
Barragán
Barton
Bass
Beatty
Bera
Bergman
Beyer
Biggs
Bilirakis
Bishop (MI)
Bishop (UT)
Black
Blackburn
Blum
Blumenauer
Blunt Rochester
Bonamici
Bost
Boyle, Brendan F.
Brady (PA)
Brady (TX)
Brat
Brooks (IN)
Brown (MD)
Brownley (CA)
Buck
Bucshon
Budd
Burgess
Bustos
Butterfield
Byrne
Calvert
Capuano
Carbajal
Cárdenas
Carson (IN)
Carter (GA)
Cartwright
Castor (FL)
Castro (TX)
Chabot
Cheney
Chu, Judy
Cicilline
Clark (MA)
Clarke (NY)
Clay
Cleaver
Clyburn
Coffman
Cohen
Cole
Collins (GA)
Collins (NY)
Comer
Conaway
Connolly
Cook
Cooper
Correa
Costa
Costello (PA)
Courtney
Cramer
Crawford
Crist
Crowley
Cuellar
Culberson
Cummings
Curbelo (FL)
Curtis
Davidson
Davis (CA)
Davis, Danny
Davis, Rodney
DeFazio
DeGette
Delaney
DeLauro
DelBene
Demings
Denham
Dent
DeSantis
DeSaulnier
DesJarlais
Deutch
Diaz-Balart
Dingell
Doggett
Donovan
Doyle, Michael F.
Duffy
Duncan (SC)
Duncan (TN)
Dunn
Ellison
Emmer
Engel
Eshoo
Espaillat
Estes (KS)
Esty (CT)
Evans
Farenthold
Faso
Ferguson
Fitzpatrick
Fleischmann
Flores
Fortenberry
Foster
Foxx
Frankel (FL)
Frelinghuysen
Fudge
Gabbard
Gaetz
Gallagher
Gallego
Garamendi
Garrett
Gianforte
Gibbs
Gohmert
Gomez
Gonzalez (TX)
Goodlatte
Gosar
Gottheimer
Gowdy
Granger
Graves (GA)
Graves (LA)
Graves (MO)
Green, Al
Green, Gene
Griffith
Grijalva
Guthrie
Gutiérrez
Hanabusa
Handel
Harper
Harris
Hastings
Heck
Hensarling
Herrera Beutler
Hice, Jody B.
Higgins (LA)
Higgins (NY)
Hill
Himes
Holding
Hollingsworth
Hoyer
Hudson
Huffman
Huizenga
Hultgren
Hunter
Hurd
Issa
Jackson Lee
Jayapal
Jeffries
Jenkins (KS)
Jenkins (WV)
Johnson (GA)
Johnson (LA)
Johnson (OH)
Johnson, E. B.
Johnson, Sam
Jones
Jordan
Joyce (OH)
Kaptur
Katko
Keating
Kelly (IL)
Kelly (MS)
Kelly (PA)
Khanna
Kihuen
Kildee
Kilmer
Kind
King (IA)
King (NY)
Kinzinger
Knight
Krishnamoorthi
Kuster (NH)
Kustoff (TN)
Labrador
LaHood
Lamborn
Lance
Langevin
Larsen (WA)
Larson (CT)
Latta
Lawrence
Lawson (FL)
Lee
Levin
Lewis (GA)
Lewis (MN)
Lieu, Ted
Lipinski
LoBiondo
Loebsack
Lofgren
Long
Loudermilk
Love
Lowenthal
Lowey
Lucas
Luetkemeyer
Lujan Grisham, M.
Luján, Ben Ray
Lynch
MacArthur
Maloney, Carolyn B.
Maloney, Sean
Marchant
Marino
Marshall
Massie
Mast
Matsui
McCarthy
McCaul
McClintock
McCollum
McEachin
McGovern
McHenry
McKinley
McMorris Rodgers
McNerney
McSally
Meadows
Meehan
Meng
Messer
Mitchell
Moolenaar
Mooney (WV)
Moore
Moulton
Mullin
Murphy (FL)
Nadler
Neal
Newhouse
Noem
Nolan
Norcross
Norman
Nunes
O'Halleran
O'Rourke
Olson
Palazzo
Pallone
Palmer
Panetta
Pascrell
Paulsen
Payne
Pearce
Pelosi
Perlmutter
Perry
Peters
Peterson
Pingree
Pittenger
Poe (TX)
Poliquin
Polis
Posey
Price (NC)
Quigley
Ratcliffe
Reed
Reichert
Rice (NY)
Rice (SC)
Richmond
Roby
Roe (TN)
Rogers (AL)
Rogers (KY)
Rohrabacher
Rokita
Rooney, Francis
Rooney, Thomas J.
Ros-Lehtinen
Rosen
Roskam
Ross
Rothfus
Rouzer
Roybal-Allard
Royce (CA)
Ruiz
Ruppersberger
Rush
Russell
Rutherford
Ryan (OH)
Sánchez
Sanford
Sarbanes
Scalise
Schakowsky
Schiff
Schneider
Schrader
Schweikert
Scott, Austin
Scott, David
Sensenbrenner
Serrano
Sessions
Sewell (AL)
Shea-Porter
Sherman
Shimkus
Shuster
Simpson
Sinema
Sires
Slaughter
Smith (MO)
Smith (NE)
Smith (NJ)
Smith (WA)
Smucker
Soto
Speier
Stefanik
Stewart
Stivers
Suozzi
Swalwell (CA)
Takano
Taylor
Tenney
Thompson (CA)
Thompson (PA)
Thornberry
Tiberi
Tipton
Titus
Tonko
Trott
Tsongas
Turner
Upton
Valadao
Vargas
Veasey
Vela
Velázquez
Visclosky
Wagner
Walberg
Walden
Walker
Walorski
Walters, Mimi
Walz
Wasserman Schultz
Waters, Maxine
Watson Coleman
Weber (TX)
Webster (FL)
Welch
Wenstrup
Westerman
Williams
Wilson (FL)
Wilson (SC)
Wittman
Womack
Woodall
Yarmuth
Yoder
Yoho
Young (IA)
Zeldin

NOT VOTING—20

Bishop (GA)
Bridenstine
Brooks (AL)
Buchanan
Carter (TX)
Comstock
Grothman
Hartzler
Kennedy
LaMalfa
Meeks
Napolitano
Pocan
Raskin
Renacci
Scott (VA)
Smith (TX)
Thompson (MS)
Torres
Young (AK)

□ 1302

So (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mrs. NAPOLITANO. Mr. Speaker, I was absent during rollcall votes No. 697, 698, and 700 due to a death in my family. Had I been present, I would have voted "Nay" on ordering the previous question on H. Res. 668, "Nay" on agreeing to H. Res. 668 and "Yea" on H.R. 1159, United States and Israel Space Cooperation Act.

CORPORATE GOVERNANCE REFORM AND TRANSPARENCY ACT OF 2017

Mr. HENSARLING. Mr. Speaker, pursuant to House Resolution 657, I call up the bill (H.R. 4015) to improve the quality of proxy advisory firms for the protection of investors and the U.S. economy, and in the public interest, by fostering accountability, transparency, responsiveness, and competition in the proxy advisory firm industry, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. BOST). Pursuant to House Resolution 657, an amendment in the nature of a substitute consisting of the text of Rules Committee Print 115–46 is adopted, and the bill, as amended, is considered read.

The text of the bill, as amended, is as follows:

H.R. 4015

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Corporate Governance Reform and Transparency Act of 2017''.

SEC. 2. DEFINITIONS.

(a) SECURITIES EXCHANGE ACT OF 1934.—Section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)) is amended by adding at the end the following new paragraphs:

''(81) PROXY ADVISORY FIRM.—The term 'proxy advisory firm' means any person who is primarily engaged in the business of providing proxy voting research, analysis, ratings, or recommendations to clients, which conduct constitutes a solicitation within the meaning of section 14 and the Commission's rules and regulations thereunder, except to the extent that the person is exempted by such rules and regulations from requirements otherwise applicable to persons engaged in a solicitation.

''(82) PERSON ASSOCIATED WITH A PROXY ADVISORY FIRM.—The term 'person associated with' a proxy advisory firm means any partner, officer, or director of a proxy advisory firm (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a proxy advisory firm, or any employee of a proxy advisory firm, except that persons associated with a proxy advisory firm whose functions are clerical or ministerial shall not be included in the meaning of such term. The Commission may by rules and regulations classify, for purposes or any portion or portions of this Act, persons, including employees controlled by a proxy advisory firm.''.

(b) APPLICABLE DEFINITIONS.—As used in this Act—

(1) the term ''Commission'' means the Securities and Exchange Commission; and

(2) the term ''proxy advisory firm'' has the same meaning as in section 3(a)(81) of the Securities Exchange Act of 1934, as added by this Act.

SEC. 3. REGISTRATION OF PROXY ADVISORY FIRMS.

(a) AMENDMENT.—The Securities Exchange Act of 1934 is amended by inserting after section 15G the following new section:

''SEC. 15H. REGISTRATION OF PROXY ADVISORY FIRMS.

''(a) CONDUCT PROHIBITED.—It shall be unlawful for a proxy advisory firm to make use of the mails or any means or instrumentality of interstate commerce to provide proxy voting research, analysis, or recommendations to any client, unless such proxy advisory firm is registered under this section.

''(b) REGISTRATION PROCEDURES.—

''(1) APPLICATION FOR REGISTRATION.—

''(A) IN GENERAL.—A proxy advisory firm must file with the Commission an application for registration, in such form as the Commission shall require, by rule or regulation, and containing the information described in subparagraph (B).

''(B) REQUIRED INFORMATION.—An application for registration under this section shall contain information regarding—

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

''(ii) the procedures and methodologies that the applicant uses in developing proxy voting recommendations, including whether and how the applicant considers the size of a company when making proxy voting recommendations;

''(iii) the organizational structure of the applicant;

''(iv) whether or not the applicant has in effect a code of ethics, and if not, the reasons therefor;

''(v) any potential or actual conflict of interest relating to the ownership structure of the applicant or the provision of proxy advisory services by the applicant, including whether the proxy advisory firm engages in services ancillary to the provision of proxy advisory services such as consulting services for corporate issuers, and if so the revenues derived therefrom;

''(vi) the policies and procedures in place to manage conflicts of interest under subsection (f); and

''(vii) any other information and documents concerning the applicant and any person associated with such applicant as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors.

''(2) REVIEW OF APPLICATION.—

''(A) INITIAL DETERMINATION.—Not later than 90 days after the date on which the application for registration is filed with the Commission under paragraph (1) (or within such longer period as to which the applicant consents) the Commission shall—

''(i) by order, grant registration; or

''(ii) institute proceedings to determine whether registration should be denied.

''(B) CONDUCT OF PROCEEDINGS.—

''(i) CONTENT.—Proceedings referred to in subparagraph (A)(ii) shall—

''(I) include notice of the grounds for denial under consideration and an opportunity for hearing; and

''(II) be concluded not later than 120 days after the date on which the application for registration is filed with the Commission under paragraph (1).

''(ii) DETERMINATION.—At the conclusion of such proceedings, the Commission, by order, shall grant or deny such application for registration.

''(iii) EXTENSION AUTHORIZED.—The Commission may extend the time for conclusion of such proceedings for not longer than 90 days, if it finds good cause for such extension and publishes its reasons for so finding, or for such longer period as to which the applicant consents.

''(C) GROUNDS FOR DECISION.—The Commission shall grant registration under this subsection—

''(i) if the Commission finds that the requirements of this section are satisfied; and

''(ii) unless the Commission finds (in which case the Commission shall deny such registration) that—

''(I) the applicant has failed to certify to the Commission's satisfaction that it is able to consistently provide proxy advice based on accurate information and to materially comply with the procedures and methodologies disclosed under paragraph (1)(B) and with subsections (f) and (g); or

''(II) if the applicant were so registered, its registration would be subject to suspension or revocation under subsection (e).

''(3) PUBLIC AVAILABILITY OF INFORMATION.—Subject to section 24, the Commission shall make the information and documents submitted to the Commission by a proxy advisory firm in its completed application for registration, or in any amendment submitted under paragraph (1) or (2) of subsection (c), publicly available on the Commission's website, or through another comparable, readily accessible means.

''(c) UPDATE OF REGISTRATION.—

''(1) UPDATE.—Each registered proxy advisory firm shall promptly amend and update its application for registration under this section if any information or document provided therein becomes materially inaccurate, except that a registered proxy advisory firm is not required to amend the information required to be filed under subsection (b)(1)(B)(i) by filing information under this paragraph, but shall amend such information in the annual submission of the organization under paragraph (2) of this subsection.

''(2) CERTIFICATION.—Not later than 90 calendar days after the end of each calendar year, each registered proxy advisory firm shall file with the Commission an amendment to its registration, in such form as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors—

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

''(B) listing any material change that occurred to such information or documents during the previous calendar year.

''(d) CENSURE, DENIAL, OR SUSPENSION OF REGISTRATION; NOTICE AND HEARING.—The Commission, by order, shall censure, place limitations on the activities, functions, or operations of, suspend for a period not exceeding 12 months, or revoke the registration of any registered proxy advisory firm if the Commission finds, on the record after notice and opportunity for hearing, that such censure, placing of limitations, suspension, or revocation is necessary for the protection of investors and in the public interest and that such registered proxy advisory firm, or any person associated with such an organization, whether prior to or subsequent to becoming so associated—

''(1) has committed or omitted any act, or is subject to an order or finding, enumerated in subparagraph (A), (D), (E), (H), or (G) of section 15(b)(4), has been convicted of any offense specified in section 15(b)(4)(B), or is enjoined from any action, conduct, or practice specified in subparagraph (C) of section 15(b)(4), during the 10-year period preceding the date of commencement of the proceedings under this subsection, or at any time thereafter;

''(2) has been convicted during the 10-year period preceding the date on which an application for registration is filed with the Commission under this section, or at any time thereafter, of—

''(A) any crime that is punishable by imprisonment for one or more years, and that is not described in section 15(b)(4)(B); or

''(B) a substantially equivalent crime by a foreign court of competent jurisdiction;

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

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

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

''(6) fails to maintain adequate financial and managerial resources to consistently offer advisory services with integrity, including by failing to comply with subsections (f) or (g).

''(e) TERMINATION OF REGISTRATION.—

''(1) VOLUNTARY WITHDRAWAL.—A registered proxy advisory firm may, upon such terms and conditions as the Commission may establish as necessary in the public interest or for the protection of investors, which terms and conditions shall include at a minimum that the registered proxy advisory firm will no longer conduct such activities as to bring it within the definition of proxy advisory firm in section 3(a)(81) of the Securities Exchange Act of 1934, withdraw from registration by filing a written notice of withdrawal to the Commission.

''(2) COMMISSION AUTHORITY.—In addition to any other authority of the Commission under this title, if the Commission finds that a registered proxy advisory firm is no longer in existence or has ceased to do business as a proxy advisory firm, the Commission, by order, shall cancel the registration under this section of such registered proxy advisory firm.

''(f) MANAGEMENT OF CONFLICTS OF INTEREST.—

''(1) ORGANIZATION POLICIES AND PROCEDURES.—Each registered proxy advisory firm shall establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of the business of such registered proxy advisory firm and associated persons, to address and manage any conflicts of interest that can arise from such business.

''(2) COMMISSION AUTHORITY.—The Commission shall issue final rules to prohibit, or require the management and disclosure of, any conflicts of interest relating to the offering of proxy advisory services by a registered proxy advisory firm, including, without limitation, conflicts of interest relating to—

''(A) the manner in which a registered proxy advisory firm is compensated by the client, or any affiliate of the client, for providing proxy advisory services;

''(B) the provision of consulting, advisory, or other services by a registered proxy advisory firm, or any person associated with such registered proxy advisory firm, to the client;

''(C) business relationships, ownership interests, or any other financial or personal interests between a registered proxy advisory firm, or any person associated with such registered proxy advisory firm, and any client, or any affiliate of such client;

''(D) transparency around the formulation of proxy voting policies;

''(E) the execution of proxy votes if such votes are based upon recommendations made by the proxy advisory firm in which someone other than the issuer is a proponent;

''(F) issuing recommendations where proxy advisory firms provide advisory services to a company; and

''(G) any other potential conflict of interest, as the Commission deems necessary or appropriate in the public interest or for the protection of investors.

''(g) RELIABILITY OF PROXY ADVISORY FIRM SERVICES.—

''(1) IN GENERAL.—Each registered proxy advisory firm shall have staff sufficient to produce proxy voting recommendations that are based on accurate and current information. Each registered proxy advisory firm shall detail procedures sufficient to permit companies receiving proxy advisory firm recommendations access in a reasonable time to the draft recommendations, with an opportunity to provide meaningful comment thereon, including the opportunity to present details to the person responsible for developing the recommendation in person or telephonically. Each registered proxy advisory firm shall employ an ombudsman to receive complaints about the accuracy of voting information used in making recommendations from the subjects of the proxy advisory firm's voting recommendations, and shall seek to resolve those complaints in a timely fashion and in any event prior to voting on the matter to which the recommendation relates. If the ombudsman is unable to resolve such complaints prior to voting on the matter, the proxy advisory firm shall include in its final report to its clients a statement from the company detailing its complaints, if requested in writing by the company.

''(2) REASONABLE TIME DEFINED.—For purposes of this subsection, the term 'reasonable time'—

''(A) means not less than 3 business days unless otherwise defined through a final rule issued by the Commission; and

''(B) shall not otherwise interfere with a proxy advisory firm's ability to provide its clients with timely access to accurate proxy voting research, analysis, or recommendations.

''(3) DRAFT RECOMMENDATIONS DEFINED.—For purposes of this subsection, the term 'draft recommendations'—

''(A) means the overall conclusions of proxy voting recommendations prepared for the clients of a proxy advisory firm, including any public data cited therein, any company information or substantive analysis impacting the recommendation, and the specific voting recommendations on individual proxy ballot issues; and

''(B) does not include the entirety of the proxy advisory firm's final report to its clients.

''(h) DESIGNATION OF COMPLIANCE OFFICER.—Each registered proxy advisory firm shall designate an individual responsible for administering the policies and procedures that are required to be established pursuant to subsections (f) and (g), and for ensuring compliance with the securities laws and the rules and regulations thereunder, including those promulgated by the Commission pursuant to this section.

''(i) PROHIBITED CONDUCT.—

''(1) PROHIBITED ACTS AND PRACTICES.—The Commission shall issue final rules to prohibit any act or practice relating to the offering of proxy advisory services by a registered proxy advisory firm that the Commission determines to be unfair, coercive, or abusive, including any act or practice relating to—

''(A) conditioning a voting recommendation or other proxy advisory firm recommendation on the purchase by an issuer or an affiliate thereof of other services or products, of the registered proxy advisory firm or any person associated with such registered proxy advisory firm; and

''(B) modifying a voting recommendation or otherwise departing from its adopted systematic procedures and methodologies in the provision of proxy advisory services, based on whether an issuer, or affiliate thereof, subscribes or will subscribe to other services or product of the registered proxy advisory firm or any person associated with such organization.

''(2) RULE OF CONSTRUCTION.—Nothing in paragraph (1), or in any rules or regulations adopted thereunder, may be construed to modify, impair, or supersede the operation of any of the antitrust laws (as defined in the first section of the Clayton Act, except that such term includes section 5 of the Federal Trade Commission Act, to the extent that such section 5 applies to unfair methods of competition).

''(j) STATEMENTS OF FINANCIAL CONDITION.—Each registered proxy advisory firm shall, on a confidential basis, file with the Commission, at intervals determined by the Commission, such financial statements, certified (if required by the rules or regulations of the Commission) by an independent public auditor, and information concerning its financial condition, as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors.

''(k) ANNUAL REPORT.—Each registered proxy advisory firm shall, at the beginning of each fiscal year of such firm, report to the Commission on the number of shareholder proposals its staff reviewed in the prior fiscal year, the number of recommendations made in the prior fiscal year, the number of staff who reviewed and made recommendations on such proposals in the prior fiscal year, and the number of recommendations made in the prior fiscal year where the proponent of such recommendation was a client of or received services from the proxy advisory firm.

''(l) TRANSPARENT POLICIES.—Each registered proxy advisory firm shall file with the Commission and make publicly available its methodology for the formulation of proxy voting policies and voting recommendations.

''(m) RULES OF CONSTRUCTION.—

''(1) NO WAIVER OF RIGHTS, PRIVILEGES, OR DEFENSES.—Registration under and compliance with this section does not constitute a waiver of, or otherwise diminish, any right, privilege, or defense that a registered proxy advisory firm may otherwise have under any provision of State or Federal law, including any rule, regulation, or order thereunder.

''(2) NO PRIVATE RIGHT OF ACTION.—Nothing in this section may be construed as creating any private right of action, and no report filed by a registered proxy advisory firm in accordance with this section or section 17 shall create a private right of action under section 18 or any other provision of law.

''(n) REGULATIONS.—

''(1) NEW PROVISIONS.—Such rules and regulations as are required by this section or are otherwise necessary to carry out this section, including the application form required under subsection (a)—

''(A) shall be issued by the Commission, not later than 180 days after the date of enactment of this section; and

''(B) shall become effective not later than 1 year after the date of enactment of this section.

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

''(A) review its existing rules and regulations which affect the operations of proxy advisory firms;

''(B) amend or revise such rules and regulations in accordance with the purposes of this section, and issue such guidance, as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors; and

''(C) direct Commission staff to withdraw the Egan Jones Proxy Services (May 27, 2004), and Institutional Shareholder Services, Inc. (September 15, 2004), no-action letters.

''(o) APPLICABILITY.—This section, other than subsection (n), which shall apply on the date of enactment of this section, shall apply on the earlier of—

''(1) the date on which regulations are issued in final form under subsection (n)(1); or

''(2) 270 days after the date of enactment of this section.''.

(b) CONFORMING AMENDMENT.—Section 17(a)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78q(a)(1)) is amended by inserting ''proxy advisory firm,'' after ''nationally recognized statistical rating organization,''.

SEC. 4. COMMISSION ANNUAL REPORT.

The Commission shall make an annual report publicly available on the Commission's Internet website. Such report shall, with respect to the year to which the report relates—

(1) identify applicants for registration under section 15H of the Securities Exchange Act of 1934, as added by this Act;

(2) specify the number of and actions taken on such applications;

(3) specify the views of the Commission on the state of competition, transparency, policies and methodologies, and conflicts of interest among proxy advisory firms;

(4) include the determination of the Commission with regards to—

(A) the quality of proxy advisory services issued by proxy advisory firms;

(B) the financial markets;

(C) competition among proxy advisory firms;

(D) the incidence of undisclosed conflicts of interest by proxy advisory firms;

(E) the process for registering as a proxy advisory firm; and

(F) such other matters relevant to the implementation of this Act and the amendments made by this Act, as the Commission determines necessary to bring to the attention of the Congress;

(5) identify problems, if any, that have resulted from the implementation of this Act and the amendments made by this Act; and

(6) recommend solutions, including any legislative or regulatory solutions, to any problems identified under paragraphs (4) and (5).

The SPEAKER pro tempore. The bill, as amended, shall be debatable for 1 hour equally divided and controlled by the chair and ranking minority member of the Committee on Financial Services.

The gentleman from Texas (Mr. HENSARLING) and the gentlewoman from California (Ms. MAXINE WATERS) each will control 30 minutes.

The Chair recognizes the gentleman from Texas.

GENERAL LEAVE

Mr. HENSARLING. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days to revise and extend their remarks and submit extraneous material on the bill under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. HENSARLING. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of H.R. 4015, the Corporate Governance Reform and Transparency Act of 2017, and I thank the sponsor of this legislation, the gentleman from Wisconsin (Mr. DUFFY), the chairman of the Housing and Insurance Subcommittee of our committee, for offering this bill.

Each year, Mr. Speaker, public companies hold shareholder meetings wherein shareholders vote for the companies' directors and on other significant corporate actions that require shareholder approval.

Mr. Speaker, the Securities and Exchange Commission requires that, before these annual shareholder meetings take place, public companies must provide shareholders with proxy statements that include all important facts about matters to be voted on at a shareholder meeting. Many shareholders and investment advisers rely on information provided by proxy advisory firms to guide their votes on these matters.

H.R. 4015 would enhance transparency in the shareholder proxy system by requiring proxy advisory firms to register with the SEC, disclose potential conflicts of interest and codes of ethics, and make their methodologies public.

Mr. Speaker, this is a pure disclosure bill, nothing more, nothing less. Proxy firms play an outsized role in the U.S. economy in shaping corporate governance. They counsel pension plans, mutual funds, and other institutional investors about how to vote the shares of corporations that they own.

With respect to institutional investors, Mr. Speaker, the share of institutional investor ownership was roughly 46 percent as recently as 1987, but today, that figure is more than 75 percent; in other words, the volume of proxy votes for which investors are responsible has grown into the billions.

In 2003, the SEC adopted a rule under the Investment Advisers Act that requires an investment adviser to vote in

the best interest of their clients' own proxies. A series of SEC no-action letters give the investment adviser a fundamental safe harbor from liability if they use a proxy adviser.

As a result, institutional investors have increasingly relied on proxy advisory firms to help them decide how to vote their shares. However, regulators, market participants, and academic observers have highlighted potential conflicts of interest that are inherent in the business models and activities of proxy advisory firms.

The committee, for example, is aware of numerous instances whereby the two largest proxy advisory firms have issued vote recommendations to shareholders that include errors, misstatements of facts, and incomplete analysis.

For example, in one instance, a company reported that, even though the total shareholder return the company actually had generated for its shareholders was 64 percent, a proxy advisory firm, Glass Lewis, erroneously reported this calculation to be 26 percent.

Another company reported that ISS erroneously reported that the company's long-term cash awards will vest and pay out their maximum opportunity in the event of a change in control. Well, this was reported even though the company's plan had been amended and approved by the shareholders years earlier in a manner that would pay out at target upon change in control, and there are many other examples.

Some proxy advisory firms' recommendations have been made without any contact to the public company at all, and then these same proxy advisory firms encourage companies to join their service in order to have the privilege to ''influence'' an advisory firm's recommendations. I suspect, for many people, this simply does not pass the smell test.

An industrial company told its shareholders, Mr. Speaker: ''ISS' negative recommendation was based on flawed analysis of our compensation programs that did not appropriately take into account the significant declines in our CEO's pay in 2015 or the performance-based nature of our annual and long-term incentive compensation programs.''

A pharmaceutical company responded to a proxy advisory firm's recommendations with this statement: ''For the second year in a row, Glass Lewis did not include its full pay for performance analysis in this report. For shareholders who rely only on Glass Lewis materials to make voting decisions, there is no discussion of the company's industry-leading performance over this time period.''

Again, Mr. Speaker, there are many, many more examples like these.

So another concern that many people have, Mr. Speaker, is that the two largest proxy advisory firms collectively—collectively—make up 97 percent of the proxy advisory industry—97 percent. This monopolization and the lack of transparency regarding proxy advisory firms means that the writings, analysis, reports, and voting recommendations of these two firms have a disproportionate effect on fundamental corporate transactions like mergers or acquisitions, the approval of corporate directors, and shareholder proposals. In other words, these two firms have a huge impact on our economy.

The bill of the gentleman from Wisconsin (Mr. DUFFY) helps address these concerns by setting up a new regulatory regime for proxy advisory firms that looks out for the interest of investors, shareholders, by ensuring they receive complete information through the proxy process and can better vote in a manner consistent with shareholder interest as opposed to the potential conflicted interest of a proxy firm.

Mr. DUFFY's bill also helps ensure that shareholders and their proxies have access to accurate information regarding companies by allowing companies to provide input on proxy recommendations. This is especially important for emerging growth companies that rely heavily on investors.

A bad proxy recommendation in which emerging growth companies cannot refute the recommendation can be devastating to those emerging growth companies and, thus, have a harmful impact on our economy.

In a letter to our committee, the Biotechnology Innovation Organization wrote: ''Small business innovators operate in a unique industry that values a strong relationship with investors. Yet they are often held to standards that are not applicable to their company and forced to engage in proxy fights over issues that do not add value to shareholders.''

H.R. 4015 would provide for SEC oversight of proxy advisory firms, ensuring that they operate within appropriate boundaries and can be held accountable to regulators and the public.

To be clear, Mr. Speaker, nothing in this bill permits companies to rewrite a proxy firm's report or forces a proxy firm to change its recommendation based on feedback received from the company.

In summary, H.R. 4015 will improve transparency in the proxy system and enhance shareholder access to information by ensuring that proxy advisory firms are registered with the SEC, disclose potential conflicts of interest and codes of ethics, and make publicly available their methodologies for forming proxy recommendations and analysis. For every Member who believes in investor protection and supports a healthier economy, they should support H.R. 4015.

Mr. Speaker, I reserve the balance of my time.

□ 1315

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, H.R. 4015, the so-called Corporate Governance Reform and Transparency Act, would create an untested, inappropriate, and burdensome regulatory framework for proxy advisory firms, making it much more difficult for shareholders to obtain unbiased research used to make well-informed voting decisions about the companies they own.

Institutional investors, like pension funds and mutual funds, typically invest money on behalf of hardworking Americans in a large number of public companies. In exchange for their investment, companies provide investors with shares of ownership and a say on important proposed changes to how the companies are run.

These proposals may relate to who sits on the board of directors, how much executives are paid, environmental practices, employee minimum wage, and nondiscrimination policies.

Shareholders often hire independent researchers called proxy advisory firms to help inform their voting decisions on the many proposals they consider each year.

H.R. 4015 contains numerous provisions that would undermine proxy advisory firms and the shareholders that rely on them for unbiased advice.

First, H.R. 4015 would essentially fulfill the wishes of corporate management by regulating proxy advisory firms out of existence. The bill requires proxy advisory firms to register with the Securities and Exchange Commission and authorizes the SEC to deny applications on a whim.

Additionally, H.R. 4015 would force proxy advisers to publicly disclose their internal proprietary research methodologies and voting policies, which firms invest time and money into developing.

The bill would also require proxy advisers to hire a sort of compliance department dedicated entirely to the grievances of corporate management rather than the adviser's own shareholder clients.

These burdensome requirements would deter new proxy advisers from entering the market and squeeze out smaller, cost-sensitive firms. As a result, shareholders would be faced with ever-increasing fees to obtain research from a shrinking universe of advisers.

Second, H.R. 4015 would grant corporate management the right to review and weigh in on a proxy adviser's draft recommendations before the shareholder-clients, who pay for the recommendations, get to see a final report. If management raises a complaint that the adviser disagrees with, the bill allows management to get the last word by publishing its dissenting opinion in the adviser's final report. In other words, the bill is the equivalent of requiring that a teacher clear a report card with a student before sending it to his or her parents.

Finally, H.R. 4015 is unnecessary in light of existing Federal securities

laws. For example, some proxy advisers, such as the largest firm, Institutional Shareholder Services, are already registered and regulated as investment advisers under the Investment Advisers Act of 1940. As such, they already owe heightened obligations to their customers; must make regular, comprehensive disclosures to regulators and the public; and are subject to periodic compliance examinations, among other legal responsibilities. Additionally, the SEC has already provided guidance on due diligence and oversight related to proxy advisers.

H.R. 4015 would replace this well-understood guidance with a harmful and inappropriate regulatory regime that undermines investors' ability to simply exercise their shareholder rights.

Tellingly, nothing in H.R. 4015 advances the bill's purported goals of ''fostering accountability, transparency, responsiveness, and competition in the proxy advisory firm industry.''

Shareholders hold corporations and their management accountable by casting well-informed votes on important issues of corporate governance, including issues of diversity. For example, a recent study by Ernst & Young found that corporate board diversity and gender pay equity were key themes in the 2017 proxy season. Specifically, Ernst & Young found that over half of the investors it interviewed included diversity as a board priority in 2017, and ''proposals asking boards to report on and increase their board diversity are among the top shareholder proposals submitted this year.''

H.R. 4015 would render these important accountability efforts ineffective, as the institutional shareholders driving governance changes would be less able to obtain the research needed to inform voting decisions.

Now, I can imagine that Americans listening to this debate may get confused that Republicans, who have been singularly focused on repealing important safeguards and protections for America's consumers and investors, are now claiming that they are seeking to protect investors with these new rules, but, Mr. Speaker, if this bill truly helped investors, why have so many from all over America written letters to Congress opposing H.R. 4015?

To name a few, the bill's opponents include public pension funds and government officials from California, Colorado, Connecticut, Florida, Illinois, New York, Ohio, Oregon, and Washington. These investors joined a letter from Council of Institutional Investors stating that H.R. 4015 ''would weaken corporate governance in the United States; undercut proxy advisory firms' ability to uphold their fiduciary obligation to their investor clients; and reorient any surviving firms to serve companies rather than investors.''

Proponents of effective corporate governance, including Americans for Financial Reform, Consumer Federation of America, Public Citizen, and Principles for Responsible Investment, have similarly written to oppose this bill. For example, the Consumer Federation of America wrote that H.R. 4015 ''would empower companies to bully proxy advisory firms into dropping their objections to management proposals or watering down their recommendations.''

Private institutional investors also agree that H.R. 4015 would leave shareholders reliant on biased information tilted toward the interests of company management. Sound corporate governance requires shareholders to have access to impartial information when voting on key corporate issues.

If our Nation's investors, who provide the capital for businesses to grow jobs and our economy, are unable to hold corporations accountable, they will be increasingly reluctant to invest. H.R. 4015 would, thereby, hurt the very businesses it purports to assist.

Mr. Speaker, for these reasons, I urge my colleagues to join me in opposing H.R. 4015.

Mr. Speaker, I reserve the balance of my time.

Mr. HENSARLING. Mr. Speaker, I yield myself 10 seconds.

Mr. Speaker, it is a historic day in America. Republicans deliver historic tax relief for working Americans and small businesses.

The ranking member has articulated concern over burdensome requirements. I look forward to working with her now on reducing the burdensome requirements of the Dodd-Frank Act.

Mr. Speaker, I yield 4 minutes to the gentleman from Michigan (Mr. HUIZENGA), the chairman of the Committee on Financial Services' Subcommittee on Capital Markets, Securities, and Investments.

Mr. HUIZENGA. Mr. Speaker, as has been pointed out each year, public companies convene these shareholder meetings at which the companies' shareholders vote for the companies' directors and on other significant corporate actions that require shareholder approval.

As part of this annual process, the Securities and Exchange Commission requires public companies to provide their shareholders with a proxy statement before those meetings.

A proxy statement includes all important facts about the matters to be voted on at the meeting, including, for example, information on board of directors candidates, director compensation, executive compensation, related party transactions, securities ownership by management, and eligible shareholder proposals.

The information contained in the statement must be filed with the SEC before soliciting a shareholder vote on the election of directors and the approval of these other corporate actions. Solicitations, whether by management or shareholders, must disclose all important facts about the issues on which the shareholders are being asked to vote.

Institutional investors, including investment advisers to mutual funds and pension funds, typically hold shares in a large number of public companies. Each year, the investment advisers to these funds vote billions of shares on behalf of their clients on thousands of proxy ballot items.

What you have heard about, really, was the theoretical way this is supposed to run. Unfortunately, that is not reality, and that is not what you are hearing from the other side, because in 2003, the SEC adopted a rule under the Investment Advisers Act of 1940, requiring an investment adviser that exercises voting authority over its clients' proxies to adopt policies and procedures designed to ensure that the investment adviser votes those proxies in the best interests of their clients. Perfect. That is exactly what they should be doing.

The SEC's release adopting the rule clarified that ''an adviser could demonstrate that the vote was not a product of a conflict of interest if it voted client securities, in accordance with a predetermined policy, based upon the recommendations of an independent third party.''

Okay so far, but here is where we see the problem. As a result, institutional investors increase their reliance on these proxy adviser firms to help them decide how to vote their shares.

In 2004, the SEC staff, without a Commission vote, just the staff, issued two ''no action'' letters ''effectively blessing the practice of investment advisers simply voting the recommendations provided by a proxy adviser,'' according to SEC Commissioner Dan Gallagher.

Largely, as a result of the SEC's regulation, proxy adviser firms now wield tremendous outside influence on the U.S. proxy system. Studies have shown that the two largest proxy adviser firms are comprised of approximately 97 percent of all the proxy advisory industry and can control a significant percentage of share votes in corporate elections, which is sometimes as high as 40 percent. There have been numerous instances where these two firms have issued vote recommendations on publicly traded companies that include errors, misstatements of fact, and incomplete analysis.

Additionally, some proxy advisory firms' recommendations have been made without any sort of communication or contact with the public company that they are actually reviewing. In fact, these same proxy advisory firms even encourage companies to join their service on the other side of the ledger in order to have the privilege to ''influence'' an advisory firm's recommendations.

Members heard from the ranking member about a teacher having to check with a student about what their grades are going to be as a student.

Well, what this is, Mr. Speaker, this is the teacher shaking down the student for their lunch money and milk

money to make sure that they are behaving.

So let's talk about reality here.

Regulators, market participants, and academic observers have highlighted potential conflicts of interest inherent to this business model and activities of these proxy firms. For example, proxy advisory firms may feel pressured by their largest clients, who may be activist investors, to issue voting recommendations that reflect those clients' specific agendas, not the boards' or the corporations'.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. HENSARLING. Mr. Speaker, I yield an additional 1 minute to the gentleman from Michigan (Mr. HUIZENGA).

Mr. HUIZENGA. Mr. Speaker, additionally, proxy advisory firms often provide voting recommendations to investment advisers on matters for which they also provide consulting services to public companies. Talk about, again, a conflict of interest.

Some proxy advisory firms also rate or score these public companies on their governance structures, policies, practices, and they are trying to actually influence the corporate governance practices of these companies.

Essentially, these proxy advisory firms have hijacked the proxy system by aligning themselves with activist shareholders, who also might be their clients, to push social and political initiatives rather than using shareholder votes to maximize shareholder value and increasing shareholder returns.

□ 1330

Well, H.R. 4015 is to the rescue on this. It would foster greater accountability, competition, responsiveness, and, most importantly of all, transparency.

This legislation would ensure that voting recommendations at proxy advisory firms are, in fact, in the interest of long-term shareholders.

So let's not misunderstand. The role of these proxy advisory firms serves a very important place in our economy. However, these firms aren't immune to conflicts of interest.

The good work of my friend, Mr. DUFFY, on H.R. 4015 will improve that transparency.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

It is not enough that my friends on the opposite side of the aisle just voted to give the biggest tax breaks to America's richest corporations. They are back here now supporting the control and the dominance of corporations over our investors who need protections. The difference between us and them, they are for deregulation of Dodd-Frank and protection for consumers to support, however they can give it, the biggest corporations in America.

Mr. Speaker, I yield 3 minutes to the gentlewoman from New York (Mrs. CAROLYN B. MALONEY), the distinguished ranking member of the Subcommittee on Capital Markets, Securities, and Investments.

Mrs. CAROLYN B. MALONEY of New York. Mr. Speaker, I rise in support of investor protection and in opposition to H.R. 4015.

Proxy advisers provide recommendations to institutional investors on how to vote on board of director elections and shareholder resolutions.

Big institutional investors are shareholders at thousands of public companies, and they simply don't have time to carefully review every single hundred-page proxy statement in detail, especially because most public companies hold their shareholders meetings at about the same 3-month period.

So institutional investors rely on proxy advisers for vote recommendations, which are often tailored to the investor's particular corporate governance preferences. They also rely on proxy firms for their data management on shareholder votes and corporate governance.

This is healthy. Proxy advisers do actually have the time to carefully read all of the statements and proposals because they are professionals that are hired to do just that.

I agree that the current regulatory system for proxy advisers is not perfect. Two proxy advisory firms account for 97 percent of the market—ISS and Glass Lewis—but, for some reason, they are regulated differently. ISS is a registered investment adviser, while Glass Lewis is not. Surely, this is not an ideal setup, so I am open to the idea of a better and more consistent regulatory regime for proxy advisers.

But there are several things in this bill that concern me deeply. I don't see why companies should have a statutory right to receive and comment on a proxy adviser's draft recommendations before they are sent to investors. Proxy advisers aren't Federal agencies with a notice-and-comment for private companies. They are working for private companies that are providing a valuable service. This is not appropriate at all.

Asset managers that use proxy advisers also tell me that they would find proxy advisers a lot less useful if the proxy firm had to give the company an opportunity to comment on their vote recommendations before sending them to the asset manager.

And a new addition to the bill is very troubling. This would raise the possibility of proxy advisers being forced to send the clients the companies' own complaints about the proxy adviser's recommendations, even if the complaint is completely untrue.

This is totally inappropriate and, I would say, plain wrong. So while I am sympathetic to the idea that a better and more consistent regulatory regime could be developed, I cannot support this bill, and I have good company here.

Mr. Speaker, I include in the RECORD a letter from the Comptroller of the State of New York, Comptroller DiNapoli; a statement from the AFL–CIO of the United States of America; a statement from the Council of Institutional Investors; a statement from the Consumer Federation of America, and a statement by Glass Lewis.

This is a troubling bill. I urge my colleagues to vote ''no'' on it. It is bad for safety and soundness and for good governance in this country.

STATE OF NEW YORK,
OFFICE OF THE STATE COMPTROLLER,
Albany, NY, December 14, 2017.

Re Opposition to H.R. 4015, Corporate Governance Reform and Transparency Act of 2017.

DEAR MEMBERS OF THE NYS CONGRESSIONAL DELEGATION: I write to express my strong opposition to H.R. 4015, the Corporate Governance Reform and Transparency Act of 2017, which I understand will soon be voted on by the United States House of Representatives. I believe that H.R. 4015, if passed and enacted, would require unnecessary and expensive regulation. Further, this legislation was not promoted by those it purports to protect: shareholders. It would weaken corporate accountability and shareholder oversight, undercut proxy advisory firms' invaluable independence, increase costs to consumers of research and redirect proxy advisors to answer to companies rather than the clients it serves.

As Comptroller of the State of New York, I am the Trustee of the New York State Common Retirement Fund (Fund) and the administrative head of the New York State and Local Retirement System (the System). As a fiduciary responsible for the benefits of over one million state and local government employees, retirees, and beneficiaries, I am especially troubled by H.R. 4015's provisions that would weaken corporate accountability and shareholder oversight.

The system of corporate governance that has evolved in the United States relies on the accountability of boards of directors to shareholders, and proxy voting is a critical means by which shareholders hold boards to account. Currently, proxy advisors provide shareholders of corporations with independent advice. The proposed bill threatens that very independence, which is integral to the responsible exercise of a shareholder's voting rights.

In public comments defending H.R. 4015, members of the Financial Services Committee have voiced the erroneous assertions that proxy advisory firms dictate proxy voting results and that institutional investors utilizing proxy advisors do not make their own voting decisions. I personally review and approve the Fund's customized Proxy Voting and Corporate Governance Guidelines (Guidelines). In 2017, the Fund voted on nearly 30,000 agenda items on its portfolio companies' proxy statements, and every single one of those items was voted pursuant to the guidelines which state: ''proxy voting decisions are based on internal reviews of available information relating to items on the ballot at each company's annual meeting. . . . The Fund analyzes a variety of materials from publicly available sources, which include but are not limited to, U.S. Securities and Exchange Commission (SEC) filings, analyst reports, relevant studies and materials from proponents and opponents of shareholder proposals, third-party independent perspectives and studies, and analyses from several corporate governance advisory firms.'' All of our proxy voting decisions are made independently and in the best interest of our System's participants.

Proxy advisory firms provide cost-efficient, informed, and independent research,

analysis, and advice for institutional shareholders, which often hold thousands of companies in their investment portfolios. The independence of that advice is absolutely essential, and if proxy advisors are required to obtain corporate review and rebuttals before releasing their research to investors, that independence would be compromised, depriving public pension funds and other institutional investors of a vital resource. Such a requirement would also delay investors' access to research in the already constricted time frame available to consider ballot issues and develop independent voting decisions in an informed fashion.

As you consider your vote on this bill, please take into account the concerns I have expressed on behalf of the more than one million members, retirees and beneficiaries of the System for whom the Fund invests.

Thank you for your consideration of this very important matter. Please feel free to contact me if you would like to discuss these issues further.

Sincerely,

THOMAS P. DINAPOLI,
State Comptroller.

AFL–CIO,
Washington, DC, December 14, 2017.

DEAR REPRESENTATIVE: On behalf of the AFL–CIO, I am writing to express our strong opposition to the ''Corporate Governance Reform and Transparency Act of 2017'' (H.R. 4015). H.R. 4015 will create a costly and untested regulatory regime for proxy advisory firms that provide research and voting recommendations to shareholders. The bill claims to foster ''accountability, transparency, responsiveness, and competition in the proxy advisory firm industry,'' while in reality it will interfere with shareholders' access to impartial analysis and undermine shareholders' ability to hold corporate management accountable.

For example, H.R. 4015 will undermine investors' ability to hold corporate management responsible on issues such as executive pay. H.R. 4015 would give corporate executives an effective veto over proxy advisor recommendations by enabling companies to delay vote recommendations. Corporate executives will be able to object to any proxy voting recommendation that is contrary to their own preferences, including votes on their own executive compensation packages.

The bill is based on the false idea that shareholders blindly follow the recommendations of proxy advisors. In reality, proxy advisors provide independent and unbiased research on proxy votes to help investors formulate their own proxy voting decisions. This flawed bill will create unnecessary regulations that undermine this free flow of information to investors.

For these reasons, we strongly urge you to vote against ''Corporate Governance Reform and Transparency Act of 2017'' (H.R. 4015).

Sincerely,

WILLIAM SAMUEL,
Director, Government Affairs Department.

COUNCIL OF INSTITUTIONAL INVESTORS,
Washington, DC, December 12, 2017.

Hon. PAUL RYAN,
Speaker of the House of Representatives, Washington, DC.
Hon. NANCY PELOSI,
Minority Leader, U.S. House of Representatives, Washington, DC.
Re H.R. 4015.

DEAR MR. SPEAKER AND MINORITY LEADER PELOSI: On behalf of the Council of Institutional Investors (CII or Council), we are writing to express our opposition to H.R. 4015, which we understand will soon be voted on by the United States House of Representatives.

CII is a nonpartisan, nonprofit association of public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management exceeding $3 trillion. CII's member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families. The Council's associate members include a range of asset managers with more than $20 trillion in assets under management.

Many of our members and other institutional investors voluntary contract with proxy advisory firms to obtain research reports to assist the funds in voting their proxies according to the funds' own proxy voting guidelines. This contractual relationship provides investors a cost-efficient means of obtaining supplemental research on proxy voting issues, which is particularly beneficial since many funds hold thousands of companies in their investment portfolios.

H.R. 4015 would establish a new federal regulatory scheme for proxy advisory firms that would (1) grant ''companies,'' apparently meaning corporate management, the right to review the proxy advisory firms research reports before the paying customers—investors—receive the reports; (2) mandate that the proxy advisory firms hire an ombudsman to receive and resolve corporation's complaints; and (3) if the ombudsman to unable to resolve the complaints, and if the company management submits a written request, proxy advisory firms would be required to publish company management's dissenting statement. These provisions would result in the federal government interposing corporate management between investors and those proxy advisory firms that investors hire to provide them with research on issues, such as executive compensation, in which corporate management can have its own interests, sometimes in conflict with investors and with the corporate entity.

Setting aside whether the provisions of H.R. 4015 are consistent with First Amendment rights of freedom of speech, the provisions are not practical. The provisions would require proxy advisory firms to provide the management teams of more than 4,000 corporations the opportunity to present detailed comments on the firm's reports in a matter of weeks before the reports are provided to investors. Thus, investors would have limited time to analyze the reports in the context of their own proxy voting guidelines to arrive at informed voting decisions. Time is already tight, particularly in the spring ''proxy season,'' due to the limited period between a corporations' publication of the annual meeting proxy materials and the date in which investors are permitted to vote on proxy issues.

In addition, the provisions of H.R. 4015 would likely result in fewer market participants in the proxy advisory firm industry. The provisions would add significant costs increasing barriers to new entrants and potentially leading some existing firms to exit the industry altogether.

We also note that the United States Department of Treasury recently performed extensive outreach to identify views of company management teams and other market participants on proxy advisory firms in connection with its recently issued report to President Trump on ''A Financial System that Creates Economic Opportunities, Capital Markets.'' In its report the Treasury found that ''institutional investors, who pay for proxy advice and are responsible for voting decisions, find the [proxy advisory firm] services valuable, especially in sorting through the lengthy and significant disclosures contained in proxy statements.'' More significantly, the Treasury did not call for legislation of the proxy advisory firm industry.

Finally, we have attached for your information and review a November 9, 2017 letter signed by 45 investors and investor organizations describing in more detail the basis for their strong opposition to H.R. 4015.

Thank you for considering our views. We would welcome the opportunity to discuss our perspective on this important issue with you or your staff in more detail.

Sincerely,

JEFFREY P. MAHONEY,
General Counsel.

CONSUMER FEDERATION OF AMERICA,
December 18, 2017.

Re Vote No on H.R. 4015, the ''Corporate Governance Transparency Act''.

DEAR REPRESENTATIVE: We understand the House is scheduled to vote this week on legislation (H.R. 4015, the Corporate Governance Reform and Transparency Act) that would undermine the ability of shareholders to get reliable, independent analysis of proxy issues on which they are asked to vote. We urge you to vote no.

Although H.R. 4015 is presented as a bill to regulate proxy advisory firms in order to better protect investors and the economy, its effect would be to undermine their independence, simultaneously increasing their costs and undermining their value to the investors who use their services. Indeed, several of the bill's provisions are specifically designed to give the companies whose proxy proposals the firms are supposed to independently analyze greater input into and influence over their recommendations.

It would, for example, require proxy advisory firms to give companies a first look at their draft recommendations and an opportunity to comment on them before any recommendation to investors is finalized.

Proxy advisory firms would also be required to employ an ombudsman to take complaints about the accuracy of the voting materials from the companies that are subjects of the recommendations, and provide those companies with an opportunity to include a comment in materials sent to investors if their complaints are not resolved to their satisfaction.

Together, these provisions would empower companies to bully proxy advisory firms into dropping their objections to management proposals or watering down their recommendations.

We certainly agree that proxy advisory firms should be subject to appropriate regulation. Rather than create a bureaucratic new regulatory regime for a handful of firms, however, we believe that is better achieved by regulating these firms as investment advisers, with a fiduciary duty to act in the best interests of the investors who rely on their services and an obligation to minimize and appropriately manage conflicts of interest.

For these reasons, we urge you to vote no on this misguided and misdirected legislation. Please feel free to contact me directly if you have questions about our position on this bill.

Respectfully submitted,

BARBARA ROPER,
Director of Investor Protection.

GLASS LEWIS,
December 18, 2017.

Re HR 4015—Corporate Governance Reform and Transparency Act of 2017.

Hon. PAUL RYAN,
Speaker, House of Representatives, Washington, DC.
Hon. NANCY PELOSI,
Minority Leader, House of Representatives, Washington, DC.

DEAR SPEAKER RYAN AND LEADER PELOSI: I am writing to express opposition to HR 4015, the Corporate Governance and Reform and Transparency Act of 2017, which seeks to exert additional regulatory control over proxy advisory firms at the expense of investors. I urge a no vote when this legislation is considered by the full House of Representatives.

Shareholder voting, a regulatory obligation for U.S. registered investment advisors, is a primary means by which a public company's owners can influence company operations, corporate governance and activities of corporate social responsibility. As such, it is important for institutional investors (pension funds, mutual funds and other asset managers) to have access to the resources—including unbiased proxy research—that enable them to execute their votes in accordance with their views.

Glass Lewis is dedicated to helping institutional shareholders of public companies better understand and connect directly with the companies in which they invest. Our duty, as a proxy advisory firm, is to support—not usurp—the role of our clients as investors/owners, a distinction we take very seriously. It is reflected in how we develop and update our proxy voting policies, create our research, and engage with public companies, shareholders and other stakeholders.

H.R. 4015, as drafted, would damage investors in public companies by attempting to silence research firms that provide investors data, analysis and independent voting recommendations to support their fiduciary activities related to proxy voting. It would require the SEC to develop a new registration scheme that would compel proxy advisory firms to share their proprietary research reports with the subject public companies prior to distributing those reports to their investor clients—thereby granting the subject companies an unprecedented right of prior review. The proposed legislation also would establish a system whereby issuers could dispute recommendations of proxy advisory firms before the investor clients of proxy advisory firms were granted access to the research.

No other investment research analysts are subject to these prior review rules; in fact, FINRA prohibits investment research analysts from doing this to avoid conflicts of interest.

In SEC Staff Legal Bulletin No. 20 (June 30, 2014), the SEC restated that investor consumers of proxy advisory firm services are responsible for holding their advisors accountable. These investor consumers are satisfied with the current system. Indeed, it is telling that the call for regulating proxy advisory firms is coming not from investors but from the companies that are the subjects of the advisors' reports.

In October, the United States Department of Treasury issued its report to President Trump on ''A Financial System that Creates Economic Opportunities, Capital Markets.'' As part of that report, extensive outreach was undertaken to identify views of company management teams and other market participants on the role and activities of proxy advisors. Treasury found that ''institutional investors, who pay for proxy advice and are responsible for voting decisions, find the [proxy advisory firm] services valuable, especially in sorting through the lengthy and significant disclosures contained in proxy statements.'' More significantly, the Treasury did not call for legislation of the proxy advisory industry.

Further, in 2012, the European Securities and Markets Authority (ESMA), which comprises all the securities regulators in Europe, and the Canadian Securities Administrators (CSA) conducted comprehensive reviews of the proxy advisory industry and its activities. Both regulatory agencies concluded that neither binding nor quasi-binding regulation of proxy advisory firm activity was warranted. ESMA and the CSA each recommended the development of an industry code of conduct. In accordance with the specific direction of these regulators, the Best Practice Principles for Shareholder Voting Research (''Principles'') were launched in 2014.

Glass Lewis and ISS, the largest U.S.-based proxy advisory firms, apply the Principles globally. The Principles encourage transparency, conflict management and disclosure, and engagement with companies when appropriate. Glass Lewis meets the' Principles' standards by making its full guidelines; research approach and methodologies; conflict avoidance and disclosure policies; and public-company engagement procedures available publicly on its website.

Most recently, in an effort to ensure that the Principles remain fully aligned with applicable regulation, a global consultation was launched in order to seek views from investors and companies on whether the Principles have been effective in ensuring the integrity and efficiency of the services provided by shareholder voting analysts and advisors. The review is being carried out by a Steering Group comprised of five representatives of the current Principles' signatories, chaired by Chris Hodge, former Director of Corporate Governance at the Financial Reporting Council in the UK, and supported by an Advisory Panel whose members have broad experience and knowledge of investors, companies and different national markets, including the United States. By way of example, one of the key items on the agenda is the consideration of what actions will be needed in order to ensure the Principles are fully compatible with the revised EU Shareholder Rights Directive, which includes mandatory requirements for proxy advisors operating in the EU, scheduled to take effect in 2019.

The Corporate Governance Reform and Transparency Act is an attack on investors to the detriment of their beneficiaries—notably the millions of U.S. teachers, municipal employees, law enforcement officers, firefighters, retirees and mutual funds investors. If enacted, it will result in less informed, more time-constrained investors who will be less able to properly hold companies accountable for poor returns, overpaying executives at underperforming companies and ignoring shareholders and shareholder interests.

Glass Lewis joins with the many pension funds, institutional investors, and consumer advocates urging you to vote no on HR 4015 to protect shareholder rights.

Sincerely,

KATHERINE H. RABIN,
Chief Executive Officer.

Mr. HENSARLING. Mr. Speaker, I yield 3 minutes to the gentleman from Arkansas (Mr. HILL), our Republican Conference whip.

Mr. HILL. Mr. Speaker, I rise in support today of the Corporate Governance Reform and Transparency Act of 2017, and I appreciate my good friend, SEAN DUFFY's work on it.

Over the past 3 decades, I have advocated for responsible shareholder activism and urged for corporate boards of directors to perform their responsibility of careful stewardship, particularly in their essential functions in evaluating corporate strategy, hiring able hardworking executive management, and, critically, capital allocation.

For example, as Berkshire Hathaway's CEO, Warren Buffett, recommends, corporate compensation committees must be composed of ''saber-toothed tigers,'' not ''house cats,'' in their work.

Likewise, investors must take their responsibility to hold boards accountable for their irreplaceable role in maximizing returns for shareholders, while executing a corporate strategy that balances shareholder returns with employees and customers.

So the question is: How can investors effectively lower agency costs and actively meet this accountability mission?

For 20 years, this has been a much-discussed area by thoughtful experts like Warren Buffett, ISS founder Robert Monks, Marty Lipton, and Lawrence Cunningham. Grad schools at UCLA, Stanford, Harvard, Yale all researched this challenge. Organizations of institutional investors and corporate directors all proffer best practices.

And how do we best align these interests for this mission, but make conflicts of interest readily apparent?

The role of proxy advisory firms in the U.S. economy has grown over the last 2 decades and is a major shaper of corporate governance, and it is of national importance. These firms counsel our pension plans, our mutual funds, other institutional investors, which are more and more in the market; 75 percent of the market, compared to when Robert Monks started thinking about the idea in the late 1980s.

Under the current system, two proxy advisory firms now have 97 percent of the market, Mr. Speaker, and this monopolization and the lack of transparency regarding their work means that the writings, analyses, reports, and vote recommendations of just these two firms have a disproportionate effect on the fundamental corporate transactions, like mergers and acquisitions, the approval of corporate directors, and other shareholder proposals.

Also, this has created more of a checklist mentality in the boardroom. Directors today need information, yes, but, more importantly, they need wisdom. And the proxy advisory firms are driving people in boardrooms, in my view, to more of a checklist mentality, regulatory mentality, and less using their business judgment and wisdom to guide our public companies.

Proxy advisory firms aren't immune to conflicts of interest.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. HENSARLING. Mr. Speaker, I yield an additional 30 seconds to the gentleman from Arkansas.

Mr. HILL. Mr. Speaker, these conflicts are provided by providing additional recommendations to the very firms that they are rating.

So, Mr. Speaker, we need balance in this arena, and I think Mr. DUFFY's bill provides a step toward that balance, an improvement in transparency in the proxy system, thereby enhancing shareholder access to important investment information. I appreciate his work on it. I thank him for his work in our committee.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield 3 minutes to the gentleman from Georgia (Mr. DAVID SCOTT), a hardworking member of the Financial Services Committee.

Mr. DAVID SCOTT of Georgia. Mr. Speaker, this is indeed a very, very important issue. I come at this from one who has worked with my good friend, Mr. DUFFY, on this issue. More than that, I voted with Mr. DUFFY for this bill in committee.

However, there are some troubling things about this bill that could do one very damaging thing. It could put many of these proxy firms out of business.

I want to take a moment to explain what the danger is in the bill that made me change my mind. I chatted with Mr. DUFFY about it. He understands it. This is not to shed any negative light on his objective, but it is what he is doing to get to that objective that disturbs me and, I think, should disturb the people of this Congress and this country, and that is this:

It could be summed up in, basically, 2 words: unilateral authority.

That is what this bill provides to the Securities and Exchange Commission: unilateral authority to set the requirements, first of all, for what it means to be a proxy firm.

When you put unilateral authority into the hands of a regulatory agency, we know the damage that can be done. And I agree that there may be some things that need to be done, but these words, ''unilateral authority,'' would mean that the Securities and Exchange Commission could establish any number of hurdles for these proxy advisory firms to jump over in order to just stay in business.

Unilateral authority to do such things as setting financial requirements, one would say that nothing may be wrong with that; but other hurdles that the Securities and Exchange Commission could put up likely will be arbitrary, illogical, such as them setting requirements for how many employees a proxy firm should have.

Mr. Speaker, this is a step too far, especially during a time in our country when Federal regulators have used their powers to attack the American people at any and every level.

The SPEAKER pro tempore. The time of the gentleman has expired.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield an additional 30 seconds to the gentleman from Georgia.

Mr. DAVID SCOTT of Georgia. Mr. Speaker, second, let me give you an example of how you can put too much regulatory authority into an agency.

When HHS, this year, used their powers to attack women's health, that happened; or when the Department of Justice used their powers to reverse community policing reform at the Department of Justice.

All I am saying in this particular argument, Mr. Speaker, is that Mr. DUFFY is well-intended, but this goes too far, and I urge my colleagues to reject and vote ''no'' on this bill.

Mr. HENSARLING. Mr. Speaker, I yield 4 minutes to the gentleman from North Carolina (Mr. BUDD).

Mr. BUDD. Mr. Speaker, I rise today in support of H.R. 4015. I thank Chairman DUFFY for his leadership on this bipartisan piece of legislation, which will improve our country's shareholder proxy system.

Since the early 2000s, we have seen market share and the shareholder proxy system consolidate, essentially, into a duopoly, as two firms control 97 percent of the market, so, under the current system, potential conflicts of interest abound.

For example, proxy advisory firms that provide voting recommendations to advisers often provide consulting services to those same public companies. So wouldn't it make sense that they at least notify their shareholders of this potential conflict of interest?

Well, right now, while the SEC has offered guidance on this problem, the proxy firm wouldn't be required to do so. We need to get this bill on the books just to address this problem.

□ 1345

This bill is also timely because we have seen proxy firms align themselves with political causes, unions, and interest groups that do not always represent their shareholders' best interests. Shareholders oftentimes aren't even aware of these conflicts. Again, reform is needed.

So it should go without saying, Mr. Speaker, that the two problems outlined above pose problems for the shareholder and for the average investor. We cannot continue to allow the security laws and processes to be wrapped in a service of political agenda.

Mr. Speaker, we have dealt with this issue in the Financial Services Committee on a number of fronts with regard to disclosure of information that is being weaponized against public companies, from mining to conflict minerals. It is time to deal with the proxy issue today.

The number of public companies has fallen in recent years. It was never easy to be public, to be subject to the financial markets and the pressures that come from being accountable to your shareholders. This issue, the proxy issue, is part of a larger tapestry of challenges that public companies face. They are increasingly choosing not to play the game. They are getting capital from dark pools; they are getting capital from hedge funds; and they are just staying private. That puts investment opportunities in the hands of the 1 percent, and that leaves retail investors out in the cold.

Mr. Speaker, my constituents and North Carolina shareholders are from the part-time trader to the full-time trader. They deserve better than this. Luckily, this body can do something to address these problems, and that is where Chairman DUFFY's bipartisanship legislation comes into play. His bill will bring about much-needed accountability, competition, and, most importantly, transparency in the proxy advisory firm industry.

This bill also protects clients and their financial future from being influenced by activists and outside interest groups. His legislation accomplishes this by mandating that proxy advisory firms register with the SEC, disclose potential conflicts of interest to the shareholders, and make their methods for coming up with proxy recommendations available to the public.

Two proxy advisory firms should not have this much control of the marketplace and the power to disproportionately affect fundamental corporate transactions. This bill is a win for the consumer, a win for the free market, and should be a bipartisan priority for this body.

A number of outside commentators have been clear that the proxy industry has gained a worrisome degree of authority over companies. In fact, Columbia Law Professor Jeffrey Gordon said that the burden of annual voting would lead investors, particularly institutional investors, to farm out evaluation of most pay plans to a handful of proxy advisory firms who, themselves, will seek to economize on those very proxy review costs. There are a host of others who are saying these same things about the way things are today in proxy voting.

Ultimately, the shareholder is the one who suffers. We should put a stop to it.

Mr. Speaker, once again, I want to thank Chairman DUFFY for leading the fight on this issue, and I urge adoption of his legislation.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield 3 minutes to the gentleman from Massachusetts (Mr. CAPUANO), an invaluable member of the Financial Services Committee.

Mr. CAPUANO. Mr. Speaker, I thank the gentlewoman for yielding time to me.

Mr. Speaker, this is one of those mundane issues that 95 percent of America doesn't understand. I didn't understand much about it a while back because I don't have any proxy advisers. I do have money in retirement funds. I do get those 100-page documents in the mail, saying, ''We are having a proxy fight and you should read it,'' in the smallest print possible, and I do what 95 percent of America

does when I get those: I throw them right in the trash.

Now, that doesn't make me smart. It just means I can't read through that stuff. I can't understand what they are doing with my pension funds. I kind of have to go on faith that they are not sticking it to me. That is what most of us do, and most anybody listening to this, that is the only thing they have to do with this issue.

So I went out and found out what is a proxy adviser. Here is what it is.

The pension funds—not always, but mostly pension funds—that invest my pension money do it all across the board. Many of them are small. Some of them are big. And when it comes time to reading those 100-page documents and the thousands of companies they invest in, they go and hire somebody to help them do it, a proxy adviser. They go through those documents with accountants and actuaries and give them advice. Not a demand—advice.

Now, I don't know about you. I get advice from my lawyer on occasion. I get advice from my accountant on occasion. I get advice from my priest on occasion. And it is none of your damn business what advice they give me, because two of them I am paying and one of them loves me.

When a person or an entity hires someone else to give them advice, it is no one else's business what that is. This bill says it is. It now would be the business of the company about whom they are giving the advice.

I paid them. Why should I share that information with you? That is what a proxy adviser is. It is not some big swami sitting in the back sticking it to big corporations. It is a paid adviser.

Now, we have heard, oh, terrible things that these advisers do.

Who do they work for? Well, they work for pension funds—mostly pension funds, by the way, that are public pension funds, not all. They have the pension money of teachers, firefighters, police officers, trash collectors, water workers all across this country.

And then there are private pension funds that work for union members: the AFL–CIO, the Bricklayers, the SEIU. That is who is doing most of this investing on behalf of little people like me who don't have the knowledge or the time to be able to go through 100 pages of really fine print, really detailed stuff, to determine which person I should vote for on a board of a company I don't know much about. That is it.

The SPEAKER pro tempore. The time of the gentleman has expired.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield an additional 30 seconds to the gentleman from Massachusetts.

Mr. CAPUANO. Mr. Speaker, let's figure out who are the worst of the worst of the people who hire these people.

Well, it turns out the Dominican Sisters hire a proxy adviser. Oh, they are put together for the very purpose of ripping the heart out of corporate America. Those Dominican Sisters, they are evil investors.

Let's not forget the Daughters of Charity. Oh, terrible, terrible people. They are so busy caring for the poorest people in the world that they take time out of that in order to find a way to stick it to the biggest corporate people in the country.

The SPEAKER pro tempore. The time of the gentleman has again expired.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield an additional 30 seconds to the gentleman from Massachusetts.

Mr. CAPUANO. Mr. Speaker, they use proxy advisers.

Let me see. Who wants this bill? Every corporation in America. Why? They don't want you knowing what they are doing.

Let's see. Whose side am I on? I think if I have a choice between being on the side of the biggest corporations in this country or being with the Dominican Sisters, I am choosing the Dominican Sisters. They are doing God's work. They use and need proxy advisers. Leave them alone.

Mr. HENSARLING. Mr. Speaker, I yield myself 10 seconds just to say that, if the gentleman is so busy he can't read a 100-page proxy statement, perhaps he could read a 20-page bill and he would realize that his comments have almost absolutely nothing to do with the bill whatsoever.

Mr. Speaker, I yield 5 minutes to the gentleman from Wisconsin (Mr. DUFFY), the sponsor of the legislation and the chairman of the Financial Services Subcommittee on Housing and Insurance.

Mr. DUFFY. Mr. Speaker, I appreciate the gentleman for yielding time to me, the chairman of Financial Services, Mr. HENSARLING. I appreciate his leadership and stewardship on our committee.

Mr. Speaker, I want to get into the bill in a second, but I can't let the Dominican Sisters reference go.

It is not the Dominican Sisters who are using proxy advisers. It is the largest financial investors in the world that are using these advisers, which we are going to get into in a little bit.

And if you want to talk about sisters, I will talk about the Little Sisters of the Poor, who have been ravaged by ObamaCare because they can't practice their faith, if you want to talk about sisters. We are not going to go there today.

Mr. Speaker, we are in a situation where, my friends, if you listen to the debate, you might say, ''Well, Republicans are asking for a little more regulation in the proxy advisory space,'' and Democrats, miraculously, are saying, ''We don't want any regulation.''

Well, our concern is that you have consolidated power in two companies that control 97 percent of the industry, and some have made the claim and the allegation that there might be political motivations behind both—or at least one—of these massive proxy advisory firms, because Glass Lewis is owned by the Ontario Teachers' Pension fund, and they might have a political agenda that might affect the recommendations that have a massive impact on American corporate governance. Maybe that could be the distinction between the two parties in today's debate.

Mr. Speaker, we have covered this quite a bit, but I want to go into it again. The role of proxy advisory firms in the U.S. economy is incredibly important. It is important stuff.

These firms counsel pension plans and mutual funds and institutional investors on how to vote their shares. No one is trying to get rid of proxy advisory firms. We think they are a good thing, but we think they should have a little bit of regulation and a little bit of oversight.

I think it is troubling, when you look at the share of institutional ownership, in 1987, it was 46 percent. Today, that has grown to 75 percent, meaning that institutional investors control billions of shares.

There was a recent study that was done by Stanford that says that asset managers with $100 billion or more under their control only make 10 percent of the decisions on these proxy issues, meaning they outsource 90 percent of the decisions to one of two firms, consolidating great power in these proxy advisory firms.

This was pointed out before as well, but, again, two firms, 97 percent of the market share, writing analysis reports, voting recommendations that affect the fundamentals of corporate governance, mergers, acquisitions, approval of corporate directors, and shareholder proposals.

What is of greatest concern is that these firms are not free of conflicts of interest. For example, in addition to providing recommendations to institutional investors about how to vote, proxy advisory firms may advise companies about corporate governance issues, rate companies on corporate governance, help companies improve those ratings, and advise proponents about how to frame a proposal to get the most votes. They are playing every side of the issue. They are getting every dollar from anybody who cares about the corporate governance space. They play everybody. And if you want access, you pay.

I am going to give you an example in just a little bit of one of the hundreds of letters that I have received on this issue. But before I do that, I think it is important to say: What are we asking for? What is the radical idea that we brought to the floor today, which, by the way, had six Democrats' support?

Mr. SCOTT commented about his support as well, and I know he had an issue about the cost that this would have on proxy advisory firms; but the CBO, which I rarely quote, did a study on this and said the cost to proxy advisory firms of this bill is minimal, if

anything. I think his concern might be misplaced.

But what are we asking to do here? We are asking for accountability. We are asking for transparency, responsiveness, and competition in the proxy advisory space. By doing that, we will improve corporate governance, and, in the end, we are going to protect investors.

Specifically, again, this bipartisan bill will ensure that proxy advisory firms are registered with the SEC. They will disclose potential conflicts of interest. They will maintain a code of ethics and make publicly available their methodologies for formulating their proxy recommendations.

The SPEAKER pro tempore (Mr. HOLDING). The time of the gentleman has expired.

Mr. HENSARLING. Mr. Speaker, I yield an additional 1 minute to the gentleman from Wisconsin.

Mr. DUFFY. Mr. Speaker, I don't know what my friends across the aisle have about maintaining a code of ethics or disclosing potential conflicts of interest or instituting an ombudsman to resolve issues that might come up. This is commonsense stuff. This is good governance, and I would encourage all of my friends across the aisle to join us.

Mr. Speaker, I want to read one part of a letter that I received that I think embodies what is going on in corporate America.

□ 1400

I am not going to give the name of the company, but it says:

> Upon contacting ISS and seeking explanation on one of the recommendations, we were told there was a firewall between the ISS recommendation group and the ISS group that deals with corporate matters. Ultimately, we were advised that if we were willing to join ISS, which includes payment of a relatively substantial amount of money, we could have input in the recommendations before they were made.

So, Mr. Speaker, pay for the input.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. HENSARLING. Mr. Speaker, I yield an additional 1 minute to the gentleman from Wisconsin.

Mr. DUFFY. Mr. Speaker, it goes on to say:

> Meanwhile, during our latest discussions we were again advised that we could avoid some issues by subscribing to ISS corporate services and thereby have some input before such recommendations are published.

Mr. Speaker, of course, such a subscription would entail big payouts.

It goes on to say:

> On the one hand, ISS makes wholly unsupportable, unreasonable, and irrational recommendations regarding corporate elections without investigation, regulatory support, or even contact with the victim company. While, on the other hand, seeking fees from the victim company for the privilege of influencing ISS's recommendations.

Mr. Speaker, so what you have here is you have the mafia on the streets. So, lo and behold, your little shop on the street corner gets burglarized at 10 o'clock one night and at 8 o'clock in the morning, and lo and behold, the thugs come in and say: Do you want to buy some insurance? Do you want to buy some protection? Pay up. We will keep you safe. ISS, Glass Lewis, you pay up, and we can help you with your recommendation. We can help you with your ratings.

Mr. Speaker, this is thuggery.

Let's have a little commonsense oversight in this space. It is a good bill.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the gentleman talked about what is happening in corporate America. They are dancing in the streets after that big tax cut that was just given by my friends on the opposite side of the aisle.

As to just a couple of companies—or too few companies—that are doing the advising for these investors, it was just a week or so ago that my friends on the opposite side of the aisle came here representing one company, Berkshire Hathaway, where they were asking this Congress to allow them to charge higher interest rates on the most vulnerable people in our population, with high interest rates and the terrible foreclosure practices all over this manufactured housing that Berkshire Hathaway is selling to these most vulnerable people in our society.

Mr. Speaker, I yield 3 minutes to the distinguished gentleman from Texas (Mr. AL GREEN), who is the ranking member of the Subcommittee on Oversight and Investigations.

Mr. AL GREEN of Texas. Mr. Speaker, I thank the ranking member for yielding.

Mr. Speaker, I would also like to note that the ranking member, the Honorable MAXINE WATERS, is often the sentinel on watch. She is the person who is there to protect investors. She is there to protect persons who might, but for her absence, be taken advantage of. So I am honored to speak with her and to stand with her.

Mr. Speaker, I oppose this bill today because this bill epitomizes what I believe is a business model that allows corporate America to take advantage of investors. This business model is one that has been perpetrated and perpetuated by my colleagues on the other side. This business model is one that surfaced in 2008, when the credit rating agencies became captives of the businesses that were providing the instruments that were to be rated. They were catering to the businesses to the detriment of the investors.

I believe this business model is one that allows the fiduciary rule to be compromised. The fiduciary rule simply said that, if you are working on behalf of an investor, you can't put your interest ahead of the investor's interest. That rule was compromised by my colleagues on the other side.

So today they again come with another business model that will allow investors to be taken advantage of. Caveat emptor is going to apply in a way that it has never been seen before as it will relate to these investors.

It is time for us to prevent the business model of allowing investors to be taken advantage of and to present a business model that allows the investor to have the benefit of advice from the proxy. That is what we have currently. Let's not change the business model. Let's make sure that the investor is properly protected.

Mr. HENSARLING. Mr. Speaker, I reserve the balance of my time.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield 3 minutes to the gentlewoman from Texas (Ms. JACKSON LEE.)

Ms. JACKSON LEE. Mr. Speaker, I thank the gentlewoman from California for yielding.

It is certainly my pleasure to be on the side of the gentlewoman from California. Every time we have got in these fights to attack Dodd-Frank, she has been on the right side of the issue.

So let me clearly, though my voice is a little raspy, speak on behalf of those, as my colleagues have spoken about, of us who certainly have a degree of education and receive those long statements where there are big fights and the print is so small.

I will tell you that the proxy advisers are representing not us, but those vulnerable pensioners who put everything they have ever had in that pot, and those advisers give those public pension funds the counsel and advice that is necessary.

First of all, this bill is entirely impractical. Pension plans and other institutional investors often hold shares in thousands of public companies. The bill will require proxy advisory firms, who provide voting recommendations to these shareholders, to provide the management with more than 4,000 public companies with the opportunity to present detailed comments on the firm's draft recommendations before paying shareholders receive a final report.

It also wants to burden them with all kinds of extra trinkets that they have to give information about, an unprecedented right to weigh in by the corporations on voting recommendations, executive compensation, nondiscrimination policies. Again, the proxy advisers work with the public pension funds.

Who are they?

They are the coal miners and the bus drivers. They are, in fact, those teachers, firemen, and policemen. They are Americans who depend upon their pensions.

Mr. Speaker, the reason that I wanted to stand on this floor today is, just a few minutes ago, we again voted for this catastrophic tax bill. I wanted to tie this to, as I heard my good friend from Texas, jumping up and celebrating. I assume they will run to the White House when this bill is passed in one way or the other.

Let me describe to you what I believe is the scenario on the tax bill. We all like cliffhanger movies. Cliffhanger movies always get the family together to be able to tell the story or to sit in the movie and look at the cliffhanger because it is always the heroes that win on a cliffhanger. You are waiting for the hero to launch down and save everyone.

Here is the Republican cliffhanger: it is this tax bill, and the cliffhanger is you are going up a mountain. As you go up the mountain, here are the Republicans and this tax bill that is going to take away millions of dollars from Medicaid.

The SPEAKER pro tempore. The time of the gentlewoman has expired.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield an additional 30 seconds to the gentlewoman from Texas.

Ms. JACKSON LEE. They are throwing over the cliff the Medicaid recipients, people with dementia. My good friend who has ALS, who is in a wheelchair, thrown over the cliff. They are throwing over teachers. They are throwing over individuals who are believing them that they are going to get jobs, but they are getting no jobs. They are throwing over families, working class families, 86 million of them—throwing them over the cliff.

It is not a good ending. It is a tragic ending, and they are standing one by one by one and throwing them over this cliff with this phony tax bill. They are not going to be able to do what is right for those who are truly in need. The benefits for those who are working Americans is temporary, and those of corporations is forever.

Mr. HENSARLING. Mr. Speaker, I reserve the balance of my time.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I include in the RECORD letters from the California Public Employees' Retirement System, the California State Teachers' Retirement System, the Ohio Public Employees Retirement System, and the National Conference on Public Employee Retirement Systems.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM EXECUTIVE OFFICE,

Sacramento, CA, December 18, 2017.

Subject H.R. 4015, The ''Corporate Governance Reform and Transparency Act of 2017''.

HON. KEVIN MCCARTHY,
Majority Leader, House of Representatives, Washington, DC.
Hon. NANCY PELOSI,
Minority Leader, House of Representatives, Washington, DC.

DEAR LEADERS MCCARTHY AND PELOSI: On behalf of the California Public Employees' Retirement System (CalPERS), I write to express our opposition to H.R. 4015, the ''Corporate Governance Reform and Transparency Act of 2017,'' which is scheduled to be considered by the full House this week.

CalPERS is the largest public, defined benefit pension plan in the United States, with approximately $346.13 billion in global assets, as of market close December 13, 2017. CalPERS manages investment assets on behalf of more than 1.8 million public employees, retirees, and beneficiaries. As a global, institutional investor that invests in more than 11,000 public companies worldwide, we rely on the integrity and efficiency of our financial markets to furnish the long-term sustainable, risk-adjusted returns that allow us to meet our liabilities.

Although we support the House Financial Services Committee's focus on bipartisan ways to foster a system that promotes capital formation and maximizes shareowner value, we have several substantive concerns about H.R. 4015. Given the large number of public companies in which CalPERS holds voting shares, we use proxy advisory firms and other data providers to assist us with analysis of management and shareowner proposals and director elections. In providing these services to CalPERS, these firms are guided by our Governance and Sustainability Principles and proxy voting policies to efficiently provide independent research and analysis that helps to inform our voting decisions. While we are certainly in favor of ensuring that proxy advisory firms are well-regulated and transparent, we oppose efforts to create an unduly burdensome regulatory regime in this area.

H.R. 4015 would create such a regulatory regime by establishing conflict of interest management requirements that are duplicative of existing Securities and Exchange Commission (SEC) authority. Currently, shareowners pay proxy advisory firms through contractual arrangements, and this provision of H.R. 4015 appears designed to fix a problem that does not exist among contracting parties.

In addition, the bill would establish a process by which corporations have preliminary access to the proxy information that investors pay for under contracts with proxy advisory firms. At the same time, corporations that do not provide early access to their consultants' positions on items subject to shareowner votes would not be required to register with the SEC. The bill would also significantly increase proxy voting costs for investors and create additional barriers to entry for new proxy advisory firms. Finally, the bill's definition of ''proxy advisory firm'' makes it unclear whether the intent is to regulate the thousands of entities that provide advice to institutional investors or only the three or so that would be considered proxy advisory firms under this definition.

Considering the SEC's limited resources and ever-increasing responsibilities for addressing a broad range of emerging challenges in our securities markets, it would be imprudent to impose unnecessary requirements on the agency. As an institutional investor that uses proxy advisory services, we oppose H.R. 4015.

Thank you for your consideration of these views. Please do not hesitate to contact me if we can be of any assistance.

Sincerely,

MARCIE FROST,
Chief Executive Officer.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM,

West Sacramento, CA, December 14, 2017.

Hon. MAXINE WATERS,
Washington, DC.
Re H.R. 4015.

TO THE HONORABLE MAXINE WATERS: CalSTRS was established more than 100 years ago to provide retirement benefits for California's public school teachers and is the largest educator-only pension fund in the world. The CalSTRS portfolio is currently valued at approximately $215 billion, which we carefully invest, as patient capital with a long-term investment horizon, to meet the retirement needs of more than 900,000 plan participants and their families.

We are writing to express our opposition to H.R. 4015, which would impose new regulatory burdens and restrictions on proxy advisors. As a large institutional investor, we use proxy advisors to help inform our proxy voting at portfolio companies. Investors such as CalSTRS are the main clients of the services of proxy advisory firms. Proxy advisory firms provide useful research regarding the governance and finances at these companies to supplement our own due diligence and research, and they play an important and helpful role in enabling cost-effective proxy voting with respect to the more than 7,000 companies in our investment portfolio. We do not outsource our proxy voting to these proxy advisors. Rather, our Investment staff, in consultation with our governing Teachers' Retirement Board, develops carefully thought-out proxy voting guidelines, and then we vote our own proxies based on those well-established guidelines.

H.R. 4015 would establish a new federal regulatory scheme for proxy advisory firms that would (1) grant companies the right to review the proxy advisory firms' research reports before the paying customer—investors—receive the reports; (2) mandate that proxy advisory firms hire an ombudsman to receive and resolve company complaints; and (3) if the ombudsman is unable to resolve the complaints, and if the company submits a written request, require proxy advisory firms to publish the company management's dissenting statement. While the stated goal of the proposed legislation is the ''protection of investors'', we believe H.R. 4015 is unnecessary, overly burdensome and counterproductive. Furthermore, we believe the proposed requirements on the industry could weaken the governance of public companies in the U.S. and do not reflect the needs of proxy advisory firm customers who are primarily institutional investors, such as CalSTRS.

While we understand some funds may utilize proxy advisory firms to assist them in executing their proxy voting responsibilities, the SEC has taken steps to make sure investors are properly carrying out their due diligence obligations. In fact as recently as 2014, the SEC acknowledged the important role proxy advisors play in the oversight of proxy voting of fund fiduciaries and, in 2014, issued updated regulatory guidance on the responsibilities of Investment Advisers who utilize proxy advisory firms in their proxy voting. In addition, the SEC has authority under current law to address any conflicts at these proxy advisory firms and has taken steps to require additional disclosure of these conflicts by proxy advisors. Accordingly, we believe that the existing SEC regulatory regime already protects our interests with respect to proxy advisory firms and that H.R. 4015 is both unnecessary and counter-productive.

The proposed legislation would result in higher costs for pension plans, like CalSTRS, and other institutional investors. H.R. 4015 would give companies the right to review reports and lobby the advisory firms prior to the reports being distributed to their customers and require firms to establish an ombudsman to address issues raised by the companies. Given the already short time period between when companies issue their proxy materials and the shareholder meeting date, the review and lobby process would severely limit CalSTRS ability to review and vote proxies in a timely manner. This multi-layered review would substantially raise costs in order to meet deadlines and maintain the current level of scrutiny and due diligence

over proxy voting. Moreover, the proposed legislation is likely to limit competition by reducing the current number of proxy advisors and imposing additional barriers to entry for potential new firms—again raising costs for investors.

Thank you for considering our views on this very important matter. We would be happy to discuss our perspectives with you or your staff at your convenience. Should you have any immediate questions or wish to discuss our concerns, please contact Aeisha Mastagni, Portfolio Manager.

Sincerely,

ANNE SHEEHAN,
Director of Corporate Governance.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM,
Columbus, Ohio, December 15, 2017.

DEAR REPRESENTATIVE: We are writing on behalf of the Ohio Public Employees Retirement System (OPERS) to oppose HR 4015, the Corporate Governance Reform and Transparency Act of 2017 (Act), a bill that could significantly and negatively impact OPERS' ability to effectively and efficiently vote its proxies and fulfill its fiduciary obligations.

OPERS is the 12th largest public retirement system in the country, with more than one million active, inactive, and retired members, which means that almost one out of every 12 Ohioans has some connection to our System. In order to provide secure retirement benefits for our members, OPERS has invested more than $78 billion in capital markets around the world, including holdings in more than 10,000 public companies. As a fiduciary, OPERS is required to act in the best interests of its members, and this responsibility extends to the prudent management of the investments we make with our members' retirement contributions. We believe it is our duty to engage with, participate in, and exercise our voting rights for each of public companies in which we are invested in an effort to ensure that those companies continue to generate value for their shareholders.

However, with limited time and resources, it is difficult for an investor, even one as sophisticated as OPERS, to fully research every proxy and follow every issue. That is why we have engaged the services of proxy advisory firms—they perform the research and analyses that we cannot, and provide us with impartial voting recommendations that we consider against our own proxy voting guidelines. Without timely access to the reports provided by our proxy advisory firms, it would be significantly more difficult to meet our obligations to our members.

We are aware of the criticisms that have been leveled at proxy advisory firms, namely that they wield undue influence over the proxy voting decisions of their clients, but OPERS has taken steps to ensure that this is not the case. Our Board of Trustees has adopted proxy voting guidelines to govern our voting decisions as shareholders. To the extent that a proxy advisory firm report or recommendation conflicts with our proxy voting guidelines, OPERS Corporate Governance staff will closely scrutinize the discrepancies and the firm's recommendations can be disregarded.

Given the sheer necessity of proxy advisory firms and the services they provide, it is troubling that the House of Representatives is considering changes that would erode investor confidence in the impartiality and independence of proxy advisory firm reports. If enacted, the Act would make it harder—perhaps impossible—for OPERS to effectively vote each of the thousands of proxies it receives during any given proxy season. In our view, this constitutes a violation of our duty to our members and the people of Ohio, and is therefore unacceptable

We urge you to oppose the Corporate Governance and Transparency Act of 2017.

Thank you for your continued support of Ohio's public retirement systems. If you have questions regarding OPERS' comments or proxy voting guidelines, please do not hesitate to contact OPERS' Corporate Governance Officer, Patti Brammer.

Sincerely,

KAREN CARRAHER,
Executive Director.
PATTI BRAMMER,
Corporate Governmance Officer.

NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS,
Washington, DC, December 11, 2017.

Hon. PAUL RYAN,
Speaker of the House of Representatives,
House of Representatives, Washington, DC.
Hon. Nancy Pelosi,
Minority Leader,
House of Representatives, Washington, DC.

DEAR SPEAKER RYAN AND LEADER PELOSI: On behalf of the National Conference on Public Employee Retirement Systems (NCPERS), I am writing to relay our serious concerns with, and opposition to, H.R. 4015, the ''Corporate Governance Reform and Transparency Act of 2017,'' which was reported out of the House Financial Services Committee on November 15.

The legislation is riddled with worrisome provisions, premised on false assumptions, that undercut the ability of pension plans to receive independent, unbiased corporate governance research, introducing new costs and burdens to pension plans and undermining their ability to effectively exercise their fiduciary responsibilities. We are alarmed by the precedent this legislation would set.

NCPERS is the largest national, nonprofit public pension advocate, representing more than 500 funds that manage more than $3 trillion in pension assets. We strive to protect the autonomy and independence of state and local government retirement systems. H.R. 4015 would undermine this very principle.

Many pension plan administrators employ proxy advisory firms to provide them with unbiased and independent data and analytical research to help them formulate their corporate governance and proxy voting policies. In addition, in some instances our members ask the proxy advisory firms to implement their proxy voting instructions on their behalf following a plan's guidelines. The use of proxy research reports prepared by proxy advisory firms is one important way that our members exercise their due diligence to make independent, well-informed decisions. H.R.4015 would (1) grant corporations the ''right to review'' these reports before the pension plan receives the report; (2) mandate that proxy advisory firms hire an ombudsman—a cost that pension funds would ultimately pay—to receive and resolve corporations' complaints; and (3) if the ombudsman is unable to resolve the complaints, and if the corporation submits a written request, proxy advisory firms would be required to publish the corporation's dissenting statement. This would effectively allow corporations the privilege to make the ''final cut'' on a report that is requested and paid for by the pension plan. Such corporate interference in the affairs of its shareholders is unprecedented and would dilute the independence of the proxy firms' reports and ultimately the independence of pension plans.

Additionally, the regulatory regime proposed under H.R.4015 is part-inappropriate and part-unnecessary, and would needlessly drive up costs for public pension plans while reducing market choice. While NCPERS welcomes the opportunity to protect public pensions, we are puzzled by the need to impose a new federal regulatory regime that is largely duplicative of existing SEC requirements that are designed to protect investors, including those for registered investment advisers under the Investment Advisers Act of 1940. Other provisions of H.R. 4015 propose to bypass free-market principles by authorizing the SEC to pre-qualify industry entrants based on a set of vague and highly subjective standards. We believe that contrary to the sponsors' stated intent, namely to increase competition and protect investors, the heavy-handed regime would result in fewer market participants, would enhance barriers to new entrants and could potentially lead smaller proxy advisory firms to exit the industry altogether, reducing market choice for our members. In the end, H.R.4015 would increase costs, perhaps significantly increase costs, to pension plans administrators and beneficiaries while providing no additional benefits.

Public pensions play an important role in the local, state and national economies. We ask that you consider the detrimental impact that H.R. 4015 would have on the independence and financial wellbeing of public pension plans, and urge you to oppose this and any similar legislation.

NCPERS greatly appreciates your time and consideration. If there is any additional information I can provide that would assist you, please do not hesitate to contact me.

Sincerely,

HANK KIM, ESQ.,
Executive Director & Counsel.

Ms. MAXINE WATERS of California. Mr. Speaker, they are frightened, absolutely frightened, that we could possibly be on the floor today negotiating with the opposite side of the aisle about investment advisers.

They can't understand why it is that we have Members of Congress who do not understand how important it is to have someone protecting the interest of middle class workers all over America.

You have heard the reference to the teachers, firefighters, garbage collectors, and on and on and on. These people work every day. They invest in their retirement and they expect their retirement to be taken care of, honored, and not to be basically undermined by corporate interests. So these investment advisers are extremely important to the investors of these retirement systems.

Having said that, Mr. Speaker, H.R. 4015 is simply the latest effort by Republicans to check off every item on the corporate wish list before the holidays. The bill would empower corporate management at the expense of institutional shareholders, like our Nation's public pension plans, by allowing corporations to unfairly influence proxy voting recommendations.

Because of the size of their portfolios, public pension plans who may hold shares in thousands of companies must rely on proxy advisers to provide independent research and voting recommendations on the merits of proposals. Without the work of proxy advisers, institutional investors would, in practical terms, be left voiceless on corporate matters that are important to them, including governance, board

compensation, executive pay, and environmental sustainability.

H.R. 4015 would give corporate management the unprecedented right to interfere in the relationship between institutional investors and the proxy advisers they hire.

At its core, the bill is based on the false premise that shareholders blindly follow the recommendations of proxy advisers who themselves are beholden to activist interests. This belief is directly contradicted by reality.

For example, in 2017, the largest proxy advisory firm recommended ''no'' votes on less than 12 percent of say-on-pay proposals, which are nonbinding votes on executive compensation practices required under the Dodd-Frank Act. That means they sided with company management 88 percent of the time.

When it comes to director elections, the largest proxy firm voted ''yes''—''yes'' votes for 90 out of 100 directors. Proxy advisers understand that the vast majority of companies' proposals are good for shareholders, but not for all.

Mr. Speaker, I ask for a ''no'' vote on this misdirected bill, and I yield back the balance of my time.

Mr. HENSARLING. Mr. Speaker, may I inquire how much time I have remaining?

The SPEAKER pro tempore. The gentleman from Texas has 2 minutes remaining.

Mr. HENSARLING. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, while I was fascinated to hear so many of my friends on the other side of the aisle exclaim how much they care about working Americans, it just makes we wonder why now twice—twice—in the last 24 hours they have voted against giving the average working American a $2,059 tax cut. Twice now they have voted to deny working Americans tax relief in order to bolster their paychecks. I wonder about that.

I also wonder, as I listened to this litany of groups whose letters were entered into the RECORD, how often I heard labor union; government pension; Washington, D.C.; and special interest group.

What I didn't hear about is average working Americans who have their investment in trying to save to buy a home, trying to perhaps fund a small business, or send a kid to college. It is their interest that we are trying to stand up for.

So what we know is that the SEC—the Securities and Exchange Commission—have, for all intents and purposes, required investment advisers to use one of two proxy advisory firms, one of which, as my colleague, the author of the bill pointed out, is owned by a foreign labor union. Yet the SEC requires us to use them.

So here is the radical nature of the bill: the bill, H.R. 4015, simply says that we ought to have transparency—something apparently my friends across the other side of the aisle are against.

We say they have to register with the SEC—something my friends on the other side of the aisle are against.

They have to disclose potential conflicts of interest. Apparently my friends on the other side are against that.

They have to disclose codes of ethics. Apparently my friends on the other side of the aisle are against that, as well as making their methodologies public.

This is a disclosure bill to help investors, pure and simple. We ought to vote in favor of H.R. 4015.

Mr. Speaker, I yield back the balance of my time.

Ms. MAXINE WATERS of California. Mr. Speaker, I include in the RECORD the following letters:

AMERICANS FOR FINANCIAL REFORM,
Washington, DC, December 18, 2017.

DEAR REPRESENTATIVE: On behalf of Americans for Financial Reform (AFR), we are writing to urge you to vote against H.R. 4015, the ''Corporate Governance Reform and Transparency Act of 2017'', which will be considered on the House floor this week. By placing an excessive and unnecessary regulatory burden on proxy advisory firms, this bill would unfairly disadvantage shareholders as compared to firm management, and raise serious First Amendment concerns as well. AFR joins major representatives of shareholders such as the Council of Institutional Investors (CII) and the California Public Employee Retirement System (CALPERS) in opposing this bill.

H.R. 4015 would establish a new Federal regulatory scheme for proxy advisory firms. These firms provide institutional investors, including pension funds, with the research and information they need in order to exercise their voting rights as shareholders. The regulations proposed in H.R. 4015 would require proxy advisory firms to provide the management of public companies with detailed voting recommendations relevant to their firms before these recommendations were shown to shareholders who paid for proxy advisory services. Advisory firms would also be required to resolve any complaints from firm management, and employ an ombudsman to ensure that such complaints were addressed. If complaints were not resolved to the satisfaction of firm management, then the full text of complaints from companies would be included next to voting recommendations in proxy advisory reports. Regulations would also mandate extensive disclosure requirements for the details of proxy advisory methodologies, reducing incentives to invest in developing such methodologies. The costs of this regulatory regime would be passed on to investors and pension funds that use proxy advisory services.

The regulatory scheme is a transparent attempt to weaken if not eliminate the independence of proxy advisory firms from firm management by placing sharp restrictions on their expression of opinions which differ from those of firm management. Besides raising First Amendment issues, this improperly restricts the ability of shareholders to obtain independent views on how they should exercise their voting rights.

This legislation cannot be justified, as some have attempted to do, by any analogy to the regulation of credit rating agencies. Proxy advisory services do not face a fundamental conflict of interest in their business model because they are not paid by securities issuers while providing certification of securities quality to securities investors. They also have not been implicated in massive fraudulent behavior that contributed directly to a global financial crisis. Further, proxy advisory services are clearly recognized as providing opinions regarding voting decisions, in a context where many other such opinions are available, rather than being entities that certify the quality of securities.

Any concerns about the independence of proxy advisory services can be addressed by simply requiring such services to register as investment advisors under the Investment Advisors Act. The radical regulatory scheme laid out in H.R. 4015 goes far beyond anything even mentioned in the recent Treasury Department report on capital markets, which examined the issue of proxy advisory firms and recommended only that regulators engage in ''further study and evaluation of proxy advisory firms, including regulatory responses to promote free market principles if appropriate.'' The regulatory scheme in H.R. 4015, besides being misguided in other ways, certainly does not promote free market principles.

The effort in H.R. 4015 to eliminate the independent voice of proxy advisory services should be rejected. We urge you to vote against it.

For more information please contact AFR's Policy Director, Marcus Stanley.

Sincerely,

AMERICANS FOR FINANCIAL REFORM.

COUNCIL OF INSTITUTIONAL INVESTORS,
Washington, DC, November 9, 2017.

Re Proposed Legislation Relating to Proxy Advisory Firms.

Hon. JEB HENSARLING,
Chairman, Committee on Financial Services, House of Representatives, Washington, DC.

Hon. MAXINE WATERS,
Ranking Member, Committee on Financial Services, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN AND RANKING MEMBER WATERS: On behalf of the Council of Institutional Investors (CII or the Council) and the undersigned 45 investors and investor organizations, we are writing to express our opposition to legislation that has recently been introduced and is pending in the Committee on Financial Services related to proxy advisory firms.

CII is a nonpartisan, nonprofit association of public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management exceeding $3 trillion. CII's member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families.

H.R. 4015, the ''Corporate Governance Reform and Transparency Act of 2017,'' and similar language which was incorporated in Subtitle Q of Title IV of H.R. 10, ''the Financial CHOICE Act,'' would require, as a matter of federal law, that proxy advisory firms share their research reports and proxy voting recommendations with the companies about whom they are writing before they are shared with the institutional investors who are their clients. In essence, while the stated goal of the proposed legislation is the ''protection of investors,'' as the primary customer of proxy advisory firm research, institutional investors believe that adding the new proposed requirements to the industry is unnecessary, overly burdensome and counter-productive.

The proposed legislation appears to be based on several false premises, including

the erroneous conclusion that proxy advisory firms *dictate* proxy voting results and that institutional investors do not drive or form their own voting decisions. Indeed, many pension funds and other institutional investors contract with proxy advisory firms to review their research, but most large holders have adopted their own policies and employ the proxy advisory firms to help administer the voting of proxies during challenging proxy seasons.

In short, most large institutional investors vote their proxies according to their own guidelines. While large institutional investors rely on proxy advisors to manage the analysis of issues presented in the proxy statements accompanying over 38,000 meetings annually, and to help administer proxy voting, this does not mean that they abdicate their responsibility for their own voting decisions.

The independence that shareowners exercise when voting their proxies is evident in the statistics related to ''say on pay'' proposals and director elections. Although Institutional Shareholder Services Inc. (ISS), the largest proxy advisory firm, recommended against say on pay proposals at 11.92 percent of Russell 3000 companies in 2017, only 1.28 percent of those proposals received less than majority support from shareowners. Similarly, although ISS recommended votes in opposition to the election of 10.43 percent of director-nominees during the most recent proxy season, just 0.185 percent failed to obtain majority support.

We believe the pending legislation (both Subtitle Q of Title IV of H.R. 10 and H.R. 4015, which was introduced last month) would weaken corporate governance in the United States; undercut proxy advisory firms' ability to uphold their fiduciary obligation to their investor clients; and reorient any surviving firms to serve companies rather than investors. The system of corporate governance that has evolved in the United States relies on the accountability of boards of directors to shareowners, and proxy voting is a critical means by which shareowners hold boards to account. Currently, proxy advisors provide equity holders of U.S. corporations with independent advice. The proposed bills threaten to abrogate that very independence, which is a hallmark of ownership and accountability.

Proxy advisory firms, while imperfect, play an important and useful role in enabling effective and cost-efficient independent research, analysis and informed proxy voting advice for large institutional shareholders, particularly since many funds hold thousands of companies in their investment portfolio. In our view, the proposed legislation would undermine proxy advisory firms' ability to provide a valuable service to pension funds and other institutional investors.

We are particularly concerned that, if enacted, H.R. 10 and H.R. 4015 would:

Require that proxy advisory firms: 1) provide companies early review of their recommendations and most elements of the research informing their reports; 2) give companies an opportunity to review and lobby the firms to change their independent recommendations; 3) mandate a heavy-handed ''ombudsman'' construct to address issues that companies raise.

Under H.R 10, the company could essentially veto the proxy advisor's report and prevent its publication, while H.R. 4015 would require proxy advisors to publish a company's statement ''detailing its complaints'' in the proxy advisory firms' final reports to their clients, if the ombudsman is unable to resolve these complaints and if the companies make the request in writing.

Giving corporate issuers the ''right to review'' the proxy advisors' work product BEFORE the reports go to the paying customers would not only give corporate management substantial undue influence over proxy advisory firms' reports, but could compromise the very fiduciary duties that large institutional investors have to their own clients, beneficiaries and shareowners. We believe the objective of the bills is to bias proxy advisory firm recommendations in favor of corporate management, creating a dynamic that would encourage the firms to view management as their clients, rather than the investors who contract for this research. This approach would award a privileged position to high-powered CEOs and other executives to talk proxy advisory firms out of criticizing management on subjects such as CEO pay, without providing the same pre-publication right to others. Another concern is that such forced pre-publication review may not be consistent with First Amendment rights to freedom of speech. Regardless, the attempt by government fiat to interpose corporate management between investors and those investors hire to provide them with independent research is highly questionable as a matter of public policy.

Further, the additional regulatory hurdles imposed would surely: increase the complexity of the challenges faced by the proxy advisory firms; impose even more severe time constraints on the production of reports; and, without doubt, add significant resource burdens that would increase the cost of their services. In short, H.R. 4015 would add no value but would add an unnecessary drag to institutional investors' portfolios. This is not constructive regulatory ''reform,'' and is not supported by institutional investors.

Under both bills, pension funds and other institutional investors would have less time to analyze the advisor's reports and recommendations in the context of their own adopted proxy voting guidelines to arrive at informed voting decisions. Time is already tight, particularly in the highly concentrated spring ''proxy season,'' due to the limited period between a company's publication of the annual meeting proxy materials and annual meeting dates.

Moreover, the proposed legislation does not appear to contemplate a parallel requirement that dissidents in a proxy fight or proponents of shareowner proposals also receive the recommendations and research in advance. This would violate an underlying tenet of U.S. corporate governance that where matters are contested in corporate elections, management and shareowner advocates should operate on a level playing field.

Require the Securities and Exchange Commission (SEC) to assess the ability of proxy advisory firms to perform their duties and to assess the adequacy of proxy advisory firms' ''financial and managerial resources.''

The entities that are in the best position to make assessments about the ability of proxy advisory firms to perform their contractual duties are the pension funds and other institutional investors that choose to purchase and use the proxy advisory firms' reports and recommendations. These are sophisticated consumers who make choices based on free-market principles.

In 2014, the SEC staff issued guidance reaffirming that investment advisors have a duty to maintain sufficient oversight of proxy advisory firms and other third-party voting agents: We publicly supported that guidance. We are unaware of any compelling empirical evidence indicating that the guidance is not being followed or that the burdensome federal regulatory scheme contemplated by the proposed legislation is needed.

Increase costs for institutional investors with no clear benefits.

If enacted, the proposed legislation is likely to result in higher costs for pension plans and other institutional investors—potentially much higher costs if investors seek to maintain current levels of scrutiny and due diligence around proxy voting amid the exit of some or all proxy advisory firms from the business. The proposed legislation is highly likely to limit competition, by reducing the current number of proxy advisory firms in the U.S. market and imposing serious barriers to entry for potential new firms.

We believe that the cost estimate provided by the Congressional Budget Office to the House Financial Services Committee in September 2016 on substantially similar legislation in the 114th Congress (that is, that private sector costs would be less than $154 million) underestimates the costs that this bill would impose through private-sector mandates. The CBO should analyze the probable effects of the proposal on competition, and the costs to investors if (a) competition is reduced and the pricing power of a surviving proxy advisory firm is enhanced, and (b) if all present firms exit the market and the services they provided are no longer available, forcing individual investors to use internal resources not subject to the new regulatory mandate.

Finally, we note that in recent months the United States Department of Treasury (Treasury) performed outreach to identify views on proxy advisory firms in connection with its recently issued report to the President on ''A Financial System that Creates Economic Opportunities, Capital Markets.'' In that report, the Treasury found that ''institutional investors, who pay for proxy advice and are responsible for voting decisions, find the services valuable, especially in sorting through the lengthy and significant disclosures contained in proxy statements.'' More importantly, the Treasury did not recommend any legislative changes governing the proxy advisory firm industry.

Thank you for considering these views. CH would be very happy to discuss its perspective in more detail.

Sincerely,

Jeff Mahoney, General Counsel, Council of Institutional Investors; Marcie Frost, Chief Executive Officer, CalPERS; Anne Sheehan, Director of Corporate Governance, California State Teachers' Retirement System; Gregory W. Smith, Executive Director/CEO, Colorado Public Employees' Retirement Association; Denise I. Nappier, Connecticut State Treasurer, Trustee, Connecticut Retirement Plans and Trust Funds; Michael McCauley, Senior Officer, Investment Programs & Governance, Florida State Board of Administration; Michael Frerichs, Illinois State Treasurer; Jonathan Grabel, Chief Investment Officer, Los Angeles County Employees Retirement Association; Scott Stringer, New York City Comptroller; Karen Carraher, Executive Director, Ohio Public Employees Retirement System; Richard Stensrud, Executive Director, School Employees Retirement System of Ohio; Jeffrey S. Davis, Executive Director, Seattle City Employees' Retirement System.

Tobias Read, Treasurer, State of Oregon; Michael J. Nehf, Executive Director, STRS Ohio; Theresa Whitmarsh, Executive Director, Washington State Investment Board; Heather Slavin Corzo, Director, Office of Investment, AFL–CIO; Dieter Waizenegger, Executive Director, CtW Investment Group; Timothy J. Driscoll, Secretary-Treasurer, International Union of Bricklayers & Allied Craftworkers; Janice J. Fueser, Research Coordinator, Corporate Governance, UNITE HERE; Euan Stirling, Global Head of Stewardship & ESG Investing, Aberdeen Standard Investments; Blaine Townsend, Senior Vice

President, Director, Sustainable, Responsible and Impact Investing Group Bailard, Inc.; Jennifer Coulson, Senior Manager, ESG Integration, British Columbia Investment Management Corporation (bcIMC); Julie Cays, Chair, Canadian Coalition for Good Governance; Mike Lubrano, Managing Director, Corporate Governance and Sustainability, Cartica Management, LLC.

Carole Nugent, CCRIM Coordinator, Conference for Corporate Responsibility, Indiana and Michigan; Karen Watson, CFA, Chief Investment Officer, Congregation of St. Joseph; Sister Teresa Teresa George, D.C., Provincial Treasurer, Daughters of Charity, Province of St. Louise; Mary Ellen Leciejewski, OP, Vice President, Corporate Responsibility, Dignity Health; Jeffery W. Perkins, Executive Director, Friends Fiduciary Corporation; Matthew S. Aquiline, CEO, International Council of Employers of Bricklayers & Allied Craftworkers; Andrew shapiro, Managing Member & President, Lawndale Capital Management, LLC; Clare Payn, Head of Corporate Governance North America, Legal & General Investment Management; Susan S. Makos, Vice President of Social Responsibility, Mercy Investment Services, Inc.; Luan Jenifer, Chief Operating Officer, Miller/Howard Investments, Inc.; Michelle de Cordova, Director, Corporate Engagement Public Policy, NEI Investments; Judy Byron, OP, Director, Northwest Coalition for Responsible Investment.

Amy O'Brien, Global Head of Responsibile Investing, Nuveen, the investment manager of TIAA; Julie Fox Gorte, Ph.D, Senior Vice President for sustainable Investing, Pax World Management, LLC; Kathleen Woods, Corporate Responsibility Chair, Portfolio Advisory Board, Adrian Dominican Sisters; Judy Cotte, VP & Head, Corporate Governance & Responsible Investment, RBC Global Asset Management; Maria Egan, Portfolio Manager and Shareholder Engagaement Manager, Reynders, McVeigh Capital Management, LLC; Maureen O'Brien, Vice President and Corporate Governance Director, Segan Marco Advisers; Kevin Thomas, Director of Shareholder Engagement, Shareholder Association for Research & Education; Jonas D. Kron, Senior Vice President, Director of Shareholder Advocacy, Trillium Asset Management, LLC; Tim Smith, Director of ESG, Shareowner Engagement, Walden Asset Management; Sonia Kowal, President, Zevin Asset Management, LLC.

COUNCIL OF INSTITUTIONAL INVESTORS,
Washington, DC, December 12, 2017.

Re H.R. 4015.

Hon. PAUL RYAN,
Speaker of the House of Representatives,
House of Representatives, Washington, DC.
Hon. NANCY PELOSI,
Minority Leader, House of Representatives,
Washington, DC.

DEAR MR. SPEAKER AND MINORITY LEADER PELOSI: On behalf of the Council of Institutional Investors (CII or Council), we are writing to express our opposition to H.R. 4015, which we understand will soon be voted on by the United States House of Representatives.

CII is a nonpartisan, nonprofit association of public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management exceeding $3 trillion. CII's member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families. The Council's associate members include a range of asset managers with more than $20 trillion in assets under management.

Many of our members and other institutional investors voluntary contract with proxy advisory firms to obtain research reports to assist the funds in voting their proxies according to the funds' own proxy voting guidelines. This contractual relationship provides investors a cost-efficient means of obtaining supplemental research on proxy voting issues, which is particularly beneficial since many funds hold thousands of companies in their investment portfolios.

H.R. 4015 would establish a new federal regulatory scheme for proxy advisory firms that would (I) grant ''companies,'' apparently meaning corporate management, the right to review the proxy advisory firms research reports before the paying customers—investors—receive the reports; (2) mandate that the proxy advisory firms hire an ombudsman to receive and resolve corporation's complaints; and (3) if the ombudsman to unable to resolve the complaints, and if the company management submits a written request, proxy advisory firms would be required to publish company management's dissenting statement. These provisions would result in the federal government interposing corporate management between investors and those proxy advisory firms that investors hire to provide them with research on issues, such as executive compensation, in which corporate management can have its own interests, sometimes in conflict with investors and with the corporate entity.

Setting aside whether the provisions of H.R. 4015 are consistent with First Amendment rights of freedom of speech, the provisions are not practical. The provisions would require proxy advisory firms to provide the management teams of more than 4,000 corporations the opportunity to present detailed comments on the firm's reports in a matter of weeks before the reports are provided to investors. Thus, investors would have limited time to analyze the reports in the context of their own proxy voting guidelines to arrive at informed voting decisions. Time is already tight, particularly in the spring ''proxy season,'' due to the limited period between a corporations' publication of the annual meeting proxy materials and the date in which investors are permitted to vote on proxy issues.

In addition, the provisions of H.R. 4015 would likely result in fewer market participants in the proxy advisory firm industry. The provisions would add significant costs increasing barriers to new entrants and potentially leading some existing firms to exit the industry altogether.

We also note that the United States Department of Treasury recently performed extensive outreach to identify views of company management teams and other market participants on proxy advisory firms in connection with its recently issued report to President Trump on ''A Financial System that Creates Economic Opportunities, Capital Markets.'' In its report the Treasury found that ''institutional investors, who pay for proxy advice and are responsible for voting decisions, fmd the [proxy advisory firm] services valuable, especially in sorting through the lengthy and significant disclosures contained in proxy statements.'' More significantly, the Treasury did not call for legislation of the proxy advisory firm industry.

Finally, we have attached for your information and review a November 9, 2017 letter signed by 45 investors and investor organizations describing in more detail the basis for their strong opposition to H.R. 4015.

Thank you for considering our views. We would welcome the opportunity to discuss our perspective on this important issue with you or your staff in more detail.

Sincerely,

JEFFREY P. MAHONEY,
General Counsel.

□ 1415

The SPEAKER pro tempore. All time for debate has expired.

Pursuant to House Resolution 657, the previous question is ordered on the bill, as amended.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT

Mr. SARBANES. Mr. Speaker, I have a motion to recommit at the desk.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. SARBANES. I am opposed.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. Sarbanes moves to recommit the bill, H.R. 4015, with instructions to report the same back to the House forthwith, with the following amendments:

Page 14, strike line 23.

Page 14, line 25, strike the period and insert ''; and'' and after such line insert the following:

''(C) does not include proxy voting recommendations on shareholder proposals related to political campaign contributions of a company.''.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Maryland is recognized for 5 minutes in support of his motion.

Mr. SARBANES. Mr. Speaker, this is the final amendment to the bill, which will not kill the bill or send it back to committee. If adopted, the bill will immediately proceed to final passage, as amended.

Mr. Speaker, this amendment is about promoting greater transparency and shareholder review of political campaign activity of public corporations.

As we have heard, the underlying bill would create new restrictions on proxy advisory firms that would erode their capacity to provide reliable, independent advice to public company investors: institutional investors such as pension funds that serve firefighters, teachers, and police officers. My amendment would restore the ability of advisory firms to provide research and vote recommendations regarding a public company's spending on political campaign contributions.

Over the past half a century, public companies have increasingly entered the political arena, spending huge sums on political contributions and campaign activity. Court rulings like Citizens United and SpeechNOW.org have opened new avenues of influence for corporate America and have worked to amplify the role of public companies in our politics. Mr. Speaker, the public is becoming increasingly anxious about this.

Fortunately, in recent years, some shareholders and public interest organizations have successfully put pressure on public corporations to adopt shareholder review of corporate political activity, stemming the tide of unchecked political spending from public corporations. Yet the underlying bill would unwind that progress, giving corporations direct influence over proxy advisory firm recommendations to shareholders regarding political activity, knocking down yet another pillar of political accountability in our politics.

Mr. Speaker, we need more, not less political accountability from our Nation's corporations. As this week has shown, corporate America has an outsized influence in our Nation's public policy. Look no further than today's vote on the GOP tax scam or yesterday's further deregulation of some of our Nation's largest financial institutions.

There is no mystery as to why this has happened. A sophisticated corporate influence economy involving campaign contributions, aggressive lobbying, a web of trade associations, corporate-backed think tanks, and outside political organizations has sprung up in Washington to shape who runs for office, who wins office, and the policies we in Congress adopt.

Mr. Speaker, Americans hate this system. They hate the arrogance with which monied interests exert their influence on our politics and our government. They feel that their voice, the voice of the people, is ignored while Big Money insiders have their way on Capitol Hill. They want us to change the corrosive status quo.

Mr. Speaker, we can take a small step forward with this amendment to restore the American people's faith in our ability to stand up to corporate power. We should adopt this modest, but important change to an otherwise flawed piece of legislation.

At a minimum, we should protect the opportunity for institutional investors to receive independent research and advice when it comes to the political activity of public companies. It is about transparency. It is about accountability. It is about the public interest.

Mr. Speaker, to that end, I urge my colleagues to support the motion to recommit, and I yield back the balance of my time.

Mr. HENSARLING. Mr. Speaker, I claim the time in opposition.

The SPEAKER pro tempore. The gentleman from Texas is recognized for 5 minutes.

Mr. HENSARLING. Mr. Speaker, I listened carefully. I didn't hear anything about labor union political campaign contributions, known political allies of the Democratic Party.

This is yet one more assault on the First Amendment's freedom of speech by my friends on the other side of the aisle. Mr. Speaker, it ought to be rejected, and I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. SARBANES. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this question will be postponed.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12(a) of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 2 o'clock and 21 minutes p.m.), the House stood in recess.

□ 1808

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. MITCHELL) at 6 o'clock and 8 minutes p.m.

HOUR OF MEETING ON TOMORROW

Mr. YODER. Mr. Speaker, pursuant to clause 4 of rule XVI, I move that when the House adjourns on this legislative day, it adjourn to meet at 9 a.m. on Thursday, December 21, 2017.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Kansas.

The motion was agreed to.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, proceedings will resume on questions previously postponed.

Votes will be taken in the following order:

The motion to recommit on H.R. 4015;

Passage of H.R. 4015, if ordered; and

Agreeing to the Speaker's approval of the Journal, if ordered.

The first electronic vote will be conducted as a 15-minute vote. Remaining electronic votes will be conducted as 5-minute votes.

CORPORATE GOVERNANCE REFORM AND TRANSPARENCY ACT OF 2017

The SPEAKER pro tempore. The unfinished business is the vote on the motion to recommit on the bill (H.R. 4015) to improve the quality of proxy advisory firms for the protection of investors and the U.S. economy, and in the public interest, by fostering accountability, transparency, responsiveness, and competition in the proxy advisory firm industry, offered by the gentleman from Maryland (Mr. SARBANES), on which the yeas and nays were ordered.

The Clerk will redesignate the motion.

The Clerk redesignated the motion.

The SPEAKER pro tempore. The question is on the motion to recommit.

The vote was taken by electronic device, and there were—yeas 189, nays 231, not voting 11, as follows:

[Roll No. 701]

YEAS—189

Adams
Aguilar
Barragán
Bass
Beatty
Bera
Beyer
Bishop (GA)
Blumenauer
Blunt Rochester
Bonamici
Boyle, Brendan F.
Brady (PA)
Brown (MD)
Brownley (CA)
Bustos
Butterfield
Capuano
Carbajal
Cárdenas
Carson (IN)
Cartwright
Castor (FL)
Castro (TX)
Chu, Judy
Cicilline
Clark (MA)
Clarke (NY)
Clay
Cleaver
Clyburn
Cohen
Connolly
Cooper
Correa
Costa
Courtney
Crist
Crowley
Cuellar
Cummings
Davis (CA)
Davis, Danny
DeFazio
DeGette
Delaney
DeLauro
DelBene
Demings
DeSaulnier
Deutch
Dingell
Doggett
Doyle, Michael F.
Ellison
Engel
Eshoo
Espaillat
Esty (CT)
Evans
Foster
Frankel (FL)
Fudge
Gabbard
Gallego
Garamendi
Gomez
Gonzalez (TX)
Gottheimer
Green, Al
Green, Gene
Grijalva
Gutiérrez
Hanabusa
Hastings
Heck
Higgins (NY)
Himes
Hoyer
Huffman
Jackson Lee
Jayapal
Jeffries
Johnson (GA)
Johnson, E. B.
Jones
Kaptur
Keating
Kelly (IL)
Khanna
Kihuen
Kildee
Kilmer
Kind
Krishnamoorthi
Kuster (NH)
Langevin
Larsen (WA)
Larson (CT)
Lawrence
Lawson (FL)
Lee
Levin
Lewis (GA)
Lieu, Ted
Lipinski
Loebsack
Lofgren
Lowenthal
Lowey
Lujan Grisham, M.
Luján, Ben Ray
Lynch
Maloney, Carolyn B.
Maloney, Sean
Matsui
McCollum
McEachin
McGovern
McNerney
Meeks
Meng
Moore
Moulton
Murphy (FL)
Nadler
Neal
Nolan
Norcross
O'Halleran
O'Rourke
Pallone
Panetta
Pascrell
Payne
Pelosi
Perlmutter
Peters
Peterson
Pingree
Polis
Price (NC)
Quigley
Raskin
Rice (NY)
Richmond
Rosen
Roybal-Allard
Ruiz
Ruppersberger
Rush
Ryan (OH)
Sánchez
Sarbanes
Schakowsky
Schiff
Schneider
Schrader
Scott (VA)
Scott, David
Serrano
Sewell (AL)
Shea-Porter
Sherman
Sinema
Sires
Slaughter
Smith (WA)
Soto
Speier
Suozzi
Swalwell (CA)
Takano
Thompson (CA)
Titus
Tonko
Torres
Tsongas
Vargas
Veasey
Vela
Velázquez
Visclosky
Walz
Wasserman Schultz
Waters, Maxine
Watson Coleman
Welch
Yarmuth

NAYS—231

Abraham
Aderholt
Allen
Amash
Amodei
Arrington
Babin
Bacon
Banks (IN)
Barletta
Barr
Barton
Bergman
Biggs
Bilirakis
Bishop (MI)
Bishop (UT)
Black
Blackburn
Blum
Bost
Brady (TX)
Brat
Brooks (IN)
Buchanan
Buck
Bucshon
Budd
Burgess
Byrne
Calvert
Carter (GA)
Carter (TX)