

Union Calendar No. 618

119TH CONGRESS
2^D SESSION

H. R. 8286

[Report No. 119-712]

To amend the Federal securities laws with respect to the materiality of disclosure requirements, to establish the Public Company Advisory Committee, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 2026

Mr. STEIL (for himself and Mrs. WAGNER) introduced the following bill; which was referred to the Committee on Financial Services

JUNE 24, 2026

Additional sponsor: Mr. MEUSER

JUNE 24, 2026

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italie*]

[For text of introduced bill, see copy of bill as introduced on April 15, 2026]

A BILL

To amend the Federal securities laws with respect to the materiality of disclosure requirements, to establish the Public Company Advisory Committee, and for other purposes.

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

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

4 (a) *SHORT TITLE.*—*This Act may be cited as the “Pro-*
 5 *tecting Americans’ Retirement Savings From Politics Act”.*

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

Sec. 1. Short title; table of contents.

TITLE I—MANDATORY MATERIALITY REQUIREMENT

Sec. 101. Limitation on disclosure requirements.

TITLE II—PUBLIC COMPANY ADVISORY COMMITTEE

Sec. 201. Public Company Advisory Committee.

TITLE III—PROTECTING U.S. BUSINESS SOVEREIGNTY

Sec. 301. Study on detrimental impact of the Corporate Sustainability Due Dili-
gence Directive and Corporate Sustainability Reporting Direc-
tive.

TITLE IV—CORPORATE GOVERNANCE EXAMINATION

Sec. 401. Study of certain issues with respect to proxy advisory firms and the
proxy process.

TITLE V—REGISTRATION OF PROXY ADVISORY FIRMS

Sec. 501. Registration of proxy advisory firms.

TITLE VI—LIABILITY FOR CERTAIN FAILURES TO DISCLOSE MATE-
RIAL INFORMATION OR MAKING OF MATERIAL MISSTATEMENTS

Sec. 601. Liability for certain failures to disclose material information or making
of material misstatements.

TITLE VII—DUTIES OF INVESTMENT ADVISERS, ASSET MANAGERS,
AND PENSION FUNDS

Sec. 701. Duties of investment advisers, asset managers, and pension funds.

TITLE VIII—PROTECTING AMERICANS’ SAVINGS

Sec. 801. Requirements related to proxy voting.

TITLE IX—EMPOWERING SHAREHOLDERS

Sec. 901. Proxy voting of passively managed funds.

TITLE X—BEST INTEREST BASED ON PECUNIARY FACTORS

Sec. 1001. Protecting retail investors' savings.

1 **TITLE I—MANDATORY**
 2 **MATERIALITY REQUIREMENT**

3 **SEC. 101. LIMITATION ON DISCLOSURE REQUIREMENTS.**

4 (a) *SECURITIES ACT OF 1933*.—Section 2(b) of the Se-
 5 curities Act of 1933 (15 U.S.C. 77b(b)) is amended—

6 (1) in the subsection heading, by inserting “;
 7 LIMITATION ON DISCLOSURE REQUIREMENTS” after
 8 “FORMATION”;

9 (2) by striking “Whenever” and inserting the fol-
 10 lowing:

11 “(1) *IN GENERAL*.—Whenever”; and

12 (3) by adding at the end the following:

13 “(2) *LIMITATION*.—

14 “(A) *IN GENERAL*.—Whenever pursuant to
 15 this title the Commission is engaged in rule-
 16 making regarding disclosure obligations of
 17 issuers, the Commission shall expressly provide
 18 that an issuer is only required to disclose infor-
 19 mation in response to such disclosure obligations
 20 to the extent the issuer has determined that such
 21 information is material with respect to a voting
 22 or investment decision regarding the securities of
 23 such issuer.

1 “(B) *APPLICABILITY.*—Subparagraph (A)
 2 *shall not apply with respect to the removal of*
 3 *any disclosure requirement with respect to an*
 4 *issuer.*

5 “(C) *RULE OF CONSTRUCTION.*—*For the*
 6 *purposes of this paragraph, information is con-*
 7 *sidered material with respect to a voting or in-*
 8 *vestment decision regarding the securities of an*
 9 *issuer if there is a substantial likelihood that a*
 10 *reasonable investor would view the failure to dis-*
 11 *close that information as having significantly al-*
 12 *tered the total mix of information made avail-*
 13 *able to the investor.”.*

14 (b) *SECURITIES EXCHANGE ACT OF 1934.*—Section
 15 3(f) of the Securities Exchange Act of 1934 (15 U.S.C.
 16 78c(f)) is amended—

17 (1) in the subsection heading, by inserting “;
 18 *LIMITATION ON DISCLOSURE REQUIREMENTS*” after
 19 “*FORMATION*”;

20 (2) by striking “Whenever” and inserting the fol-
 21 *lowing:*

22 “(1) *IN GENERAL.*—Whenever”; and

23 (3) by adding at the end the following:

24 “(2) *LIMITATION.*—

1 “(A) *IN GENERAL.*—Whenever pursuant to
2 *this title the Commission is engaged in rule-*
3 *making regarding disclosure obligations of*
4 *issuers, the Commission shall expressly provide*
5 *that an issuer is only required to disclose infor-*
6 *mation in response to such disclosure obligations*
7 *to the extent the issuer has determined that such*
8 *information is material with respect to a voting*
9 *or investment decision regarding the securities of*
10 *such issuer.*

11 “(B) *APPLICABILITY.*—Subparagraph (A)
12 *shall not apply with respect to the removal of*
13 *any disclosure requirement with respect to an*
14 *issuer.*

15 “(C) *RULE OF CONSTRUCTION.*—For the
16 *purposes of this paragraph, information is con-*
17 *sidered material with respect to a voting or in-*
18 *vestment decision regarding the securities of an*
19 *issuer if there is a substantial likelihood that a*
20 *reasonable investor would view the failure to dis-*
21 *close that information as having significantly al-*
22 *tered the total mix of information made avail-*
23 *able to the investor.”.*

**TITLE II—PUBLIC COMPANY
ADVISORY COMMITTEE**

SEC. 201. PUBLIC COMPANY ADVISORY COMMITTEE.

The Securities Exchange Act of 1934 is amended by inserting after section 40 (15 U.S.C. 78qq) the following:

“SEC. 40A. PUBLIC COMPANY ADVISORY COMMITTEE.

“(a) ESTABLISHMENT AND PURPOSE.—

“(1) ESTABLISHMENT.—*There is established within the Commission the Public Company Advisory Committee (referred to in this section as the ‘Committee’).*

“(2) PURPOSE.—*The Committee shall—*

“(A) provide the Commission with advice on the rules, regulations, and policies of the Commission with regard to the Commission’s mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, as they relate to—

“(i) existing and emerging regulatory priorities of the Commission;

“(ii) issues relating to the public reporting and corporate governance of public companies;

1 “(iii) issues relating to the proxy proc-
 2 ess for shareholder meetings held by public
 3 companies;

4 “(iv) issues relating to trading in the
 5 securities of public companies; and

6 “(v) issues relating to capital forma-
 7 tion;

8 “(B) not provide any advice with respect to
 9 any policies, practices, actions, or decisions con-
 10 cerning the Commission’s enforcement program;
 11 and

12 “(C) submit to the Commission such find-
 13 ings and recommendations as the Committee de-
 14 termines are appropriate, including rec-
 15 ommendations for proposed regulatory and legis-
 16 lative changes.

17 “(b) MEMBERSHIP.—

18 “(1) IN GENERAL.—The membership of the Com-
 19 mittee shall be not fewer than 10, and not more than
 20 20, members appointed by the Commission from
 21 among individuals who—

22 “(A) are officers, directors, or senior offi-
 23 cials of public companies registered with the
 24 Commission under the Securities Act of 1933
 25 and this Act, except for those public companies

1 *that own asset management, fixed income, in-*
2 *vestment advisory, broker-dealer, or proxy serv-*
3 *ices businesses;*

4 *“(B) are executives or other individuals*
5 *with senior managerial responsibility in busi-*
6 *ness, professional, trade, and industry associa-*
7 *tions that represent the interests of such public*
8 *companies; and*

9 *“(C) are professional advisers and service*
10 *providers to such public companies (including*
11 *attorneys, accountants, investment bankers, and*
12 *financial advisers).*

13 *“(2) QUALIFICATIONS.—At least 50 percent of*
14 *the Committee membership shall be drawn from indi-*
15 *viduals who would qualify for membership under*
16 *paragraph (1)(A).*

17 *“(3) TERM.—Each member of the Committee ap-*
18 *pointed under paragraph (1) shall serve for a term of*
19 *4 years. Vacancies among the members, whether*
20 *caused by the resignation, death, removal, expiration*
21 *of a term, or otherwise, shall be filled consistent with*
22 *the Commission’s procedures then in effect.*

23 *“(4) STAGGERED TERMS.—The members of the*
24 *Committee shall serve staggered terms, with half of the*

1 *initial members of the Committee each serving for 2*
2 *years and half serving for 4 years.*

3 “(5) *MEMBERS NOT ON OTHER ADVISORY COM-*
4 *MITTEES.—Public companies and other organizations*
5 *that are currently represented on any other Commis-*
6 *sion Advisory Committee are not eligible to have rep-*
7 *resentatives also serve on the Public Company Advi-*
8 *sory Committee.*

9 “(6) *MEMBERS NOT COMMISSION EMPLOYEES.—*
10 *Members appointed under paragraph (1) shall not be*
11 *considered to be employees or agents of the Commis-*
12 *sion solely because of membership on the Committee.*

13 “(c) *CHAIR; VICE CHAIR; SECRETARY; ASSISTANT*
14 *SECRETARY.—*

15 “(1) *IN GENERAL.—The members of the Com-*
16 *mittee shall elect, from among the members of the*
17 *Committee—*

18 “(A) *a Chair;*

19 “(B) *a Vice Chair;*

20 “(C) *a Secretary; and*

21 “(D) *an Assistant Secretary.*

22 “(2) *TERM.—Each member elected under para-*
23 *graph (1) shall serve for a term of 2 years in the ca-*
24 *capacity the member was elected under paragraph (1).*

1 “(3) *SUBCOMMITTEES.*—*The Chair may create*
2 *subcommittees that hold public or non-public meet-*
3 *ings and provide recommendations to the full Com-*
4 *mittee.*

5 “(d) *MEETINGS.*—

6 “(1) *FREQUENCY OF MEETINGS.*—*The Committee*
7 *shall meet—*

8 “(A) *not less frequently than twice annu-*
9 *ally, at the call of the chair of the Committee;*
10 *and*

11 “(B) *from time to time, at the call of the*
12 *Commission.*

13 “(2) *NOTICE.*—*The Chair of the Committee shall*
14 *give the members of the Committee written notice of*
15 *each meeting, not later than 2 weeks before the date*
16 *of the meeting.*

17 “(e) *STAFF.*—*The Commission shall make available to*
18 *the Committee such staff as the Chair of the Committee de-*
19 *termines are necessary to carry out this section.*

20 “(f) *REVIEW BY COMMISSION.*—*The Commission*
21 *shall—*

22 “(1) *review the findings and recommendations of*
23 *the Committee; and*

1 “(2) each time the Committee submits a finding
2 or recommendation to the Commission, promptly
3 issue a public statement—

4 “(A) assessing the finding or recommenda-
5 tion of the Committee; and

6 “(B) disclosing the action, if any, the Com-
7 mission intends to take with respect to the find-
8 ing or recommendation.

9 “(g) COMMITTEE FINDINGS.—Nothing in this section
10 shall require the Commission to agree to or act upon any
11 finding or recommendation of the Committee.

12 “(h) NONAPPLICABILITY OF THE FEDERAL ADVISORY
13 COMMITTEE ACT.—Chapter 10 of part I of title 5, United
14 States Code, shall not apply to the Committee and the ac-
15 tivities of the Committee.”.

16 **TITLE III—PROTECTING U.S.** 17 **BUSINESS SOVEREIGNTY**

18 **SEC. 301. STUDY ON DETRIMENTAL IMPACT OF THE COR-** 19 **PORATE SUSTAINABILITY DUE DILIGENCE DI-** 20 **RECTIVE AND CORPORATE SUSTAINABILITY** 21 **REPORTING DIRECTIVE.**

22 (a) STUDY.—The Securities and Exchange Commis-
23 sion shall conduct a study to examine and evaluate—

24 (1) the detrimental impact and potential detri-
25 mental impact of each of the Directives on—

1 (A) *United States companies, consumers,*
2 *and investors; and*

3 (B) *the economy of the United States;*

4 (2) *the extent to which each of the Directives*
5 *aligns with international conventions and declara-*
6 *tions on human rights and environmental obligations;*
7 *and*

8 (3) *the legal basis for the extraterritorial reach*
9 *of each of the Directives.*

10 (b) *REPORT.—Not later than 1 year after the date of*
11 *the enactment of this Act, the Securities and Exchange*
12 *Commission shall submit to the Committee on Banking,*
13 *Housing, and Urban Affairs of the Senate, the Committee*
14 *on Financial Services of the House of Representatives, the*
15 *Secretary of State, the Secretary of Commerce, and the*
16 *United States Trade Representative a report that in-*
17 *cludes—*

18 (1) *the results of the study conducted under this*
19 *section; and*

20 (2) *recommendations for policymakers and rel-*
21 *evant stakeholders on potential mitigating measures,*
22 *alternative approaches, or modifications to each of the*
23 *Directives that would address any concerns identified*
24 *in the study.*

1 (c) *ACCESS TO INFORMATION.*—*The Securities and Ex-*
2 *change Commission may request from private entities such*
3 *relevant data and information as the Securities and Ex-*
4 *change Commission determines necessary to carry out the*
5 *study required under this section and such private entities*
6 *shall provide such requested data and information to the*
7 *Securities and Exchange Commission.*

8 (d) *DIRECTIVES DEFINED.*—*In this section, the term*
9 *“Directives” means—*

10 (1) *Directive (EU) 2024/1760 of the European*
11 *Parliament and of the Council of 13 June 2024 on*
12 *corporate sustainability due diligence;*

13 (2) *Directive (EU) 2022/2464 of the European*
14 *Parliament and of the Council of 14 December 2022*
15 *on corporate sustainability reporting; and*

16 (3) *any directive of the European Parliament*
17 *and of the Council that amends, supplements, re-*
18 *places, or otherwise modifies a directive described in*
19 *paragraph (1) or (2), including Directive (EU) 2026/*
20 *470 of the European Parliament and of the Council*
21 *of 26 February 2026.*

**TITLE IV—CORPORATE
GOVERNANCE EXAMINATION**

**SEC. 401. STUDY OF CERTAIN ISSUES WITH RESPECT TO
PROXY ADVISORY FIRMS AND THE PROXY
PROCESS.**

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

*“(k) STUDY OF CERTAIN ISSUES WITH RESPECT TO
PROXY ADVISORY FIRMS AND THE PROXY PROCESS.—*

“(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this subsection, and every 5 years thereafter, the Commission shall conduct a comprehensive study on proxy advisory firms and the proxy process.

“(2) SCOPE OF STUDY.—The studies required under paragraph (1) shall cover—

“(A) the previous 10 years, with respect to the initial study; and

“(B) the previous 5 years, with respect to each other study.

“(3) CONTENTS.—Each study required under paragraph (1) shall address the following issues:

“(A) The financial and other incentives and obligations of all groups involved in the proxy process.

1 “(B) A consideration of whether financial
2 and other incentives have created a process that
3 no longer serves the economic interests of retail
4 investors.

5 “(C) An analysis of whether regulations
6 and financial incentives have created and pro-
7 tected the outsized influence of proxy advisors or
8 a duopoly in proxy advice, and if so, what are
9 the benefits and costs of that outsized influence
10 or duopoly.

11 “(D) The costs incurred by issuers in re-
12 sponding to politically-, environmentally-, or so-
13 cially-motivated shareholder proposals.

14 “(E) An analysis of the impact that share-
15 holder proposals have on discouraging private
16 companies from going public.

17 “(F) A thorough assessment of the economic
18 analysis, if any, conducted by proxy advisory
19 firms and institutional shareholders when recom-
20 mending or voting in favor of shareholder pro-
21 posals.

22 “(G) A review of the extent to which insti-
23 tutional investors, who owe fiduciary duties, rely
24 on proxy advisory firm recommendations.

1 “(H) *An assessment of whether, in light of*
 2 *their significant influence on corporate actions*
 3 *and vote outcomes, proxy advisors are subject to*
 4 *sufficient and effective regulation to ensure that*
 5 *their policies and recommendations are accurate,*
 6 *free of conflicts, and benefit the best economic in-*
 7 *terest of shareholders at large.*

8 “(4) *REPORT.—At the completion of each study*
 9 *required under paragraph (1), the Commission shall*
 10 *issue a report to the Committee on Banking, Housing,*
 11 *and Urban Affairs of the Senate and the Committee*
 12 *on Financial Services of the House of Representatives*
 13 *that includes the results of the study.”.*

14 **TITLE V—REGISTRATION OF** 15 **PROXY ADVISORY FIRMS**

16 **SEC. 501. REGISTRATION OF PROXY ADVISORY FIRMS.**

17 “(a) *AMENDMENT.—The Securities Exchange Act of*
 18 *1934 (15 U.S.C. 78a et seq.) is amended by inserting after*
 19 *section 15G the following new section:*

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

21 “(a) *CONDUCT PROHIBITED.—It shall be unlawful for*
 22 *a proxy advisory firm to make use of the mails or any*
 23 *means or instrumentality of interstate commerce to provide*
 24 *proxy voting advice, research, analysis, ratings or rec-*

1 *ommendations to any client, unless such proxy advisory*
 2 *firm is registered under this section.*

3 “(b) *REGISTRATION PROCEDURES.*—

4 “(1) *APPLICATION FOR REGISTRATION.*—

5 “(A) *IN GENERAL.*—A proxy advisory firm
 6 *shall file with the Commission an application for*
 7 *registration, in such form as the Commission*
 8 *shall require, by rule, and containing the infor-*
 9 *mation described in subparagraph (B).*

10 “(B) *REQUIRED INFORMATION.*—An appli-
 11 *cation for registration under this section shall*
 12 *contain—*

13 “(i) *a certification that the applicant*
 14 *is able to consistently provide proxy advice*
 15 *based on accurate information;*

16 “(ii) *with respect to clients of the ap-*
 17 *plicant that vote shares held on behalf of*
 18 *shareholders, a certification that the appli-*
 19 *cant—*

20 “(I) *will provide proxy voting ad-*
 21 *vice only in the best economic interest*
 22 *of those shareholders;*

23 “(II) *has the requisite expertise to*
 24 *ensure that voting recommendations*
 25 *are in the best economic interest of*

1 *those shareholders unless otherwise*
2 *specified; and*

3 *“(III) does not violate State or*
4 *Federal law;*

5 *“(iii) information on the procedures*
6 *and methodologies that the applicant uses to*
7 *ensure that proxy voting recommendations*
8 *are in the best economic interest of the ulti-*
9 *mate shareholders;*

10 *“(iv) information on the organiza-*
11 *tional structure of the applicant;*

12 *“(v) an explanation of whether or not*
13 *the applicant has in effect a code of ethics,*
14 *and if not, the reasons therefor;*

15 *“(vi) a description of any potential or*
16 *actual conflict of interest relating to the*
17 *provision of proxy advisory services, includ-*
18 *ing those arising out of or resulting from*
19 *the ownership structure of the applicant or*
20 *the provision of other services by the appli-*
21 *cant or any person associated with the ap-*
22 *plicant;*

23 *“(vii) the policies and procedures in*
24 *place to publicly disclose and manage con-*
25 *licts of interest under subsection (f);*

1 “(viii) information related to the pro-
 2 fessional and academic qualifications of
 3 staff tasked with providing proxy advisory
 4 services; and

5 “(ix) any other information and docu-
 6 ments concerning the applicant and any
 7 person associated with such applicant as the
 8 Commission, by rule, may prescribe as nec-
 9 essary or appropriate in the public interest
 10 or for the protection of investors.

11 “(2) REVIEW OF APPLICATION.—

12 “(A) INITIAL DETERMINATION.—Not later
 13 than 90 days after the date on which the appli-
 14 cation for registration is filed with the Commis-
 15 sion under paragraph (1) (or within such longer
 16 period as to which the applicant consents) the
 17 Commission shall—

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

19 “(ii) institute proceedings to determine
 20 whether registration should be denied.

21 “(B) CONDUCT OF PROCEEDINGS.—

22 “(i) CONTENT.—Proceedings referred to
 23 in subparagraph (A)(ii) shall—

1 “(I) include notice of the grounds
2 for denial under consideration and an
3 opportunity for hearing; and

4 “(II) be concluded not later than
5 120 days after the date on which the
6 application for registration is filed
7 with the Commission under paragraph
8 (1).

9 “(ii) DETERMINATION.—At the conclu-
10 sion of such proceedings, the Commission,
11 by order, shall grant or deny such applica-
12 tion for registration.

13 “(iii) EXTENSION AUTHORIZED.—The
14 Commission may extend the time for con-
15 clusion of such proceedings for not longer
16 than 90 days, if the Commission finds good
17 cause for such extension and publishes its
18 reasons for so finding, or for such longer pe-
19 riod as to which the applicant consents.

20 “(C) GROUNDS FOR DECISION.—The Com-
21 mission shall grant registration under this sub-
22 section—

23 “(i) if the Commission finds that the
24 requirements of this section are satisfied;
25 and

1 “(ii) unless the Commission finds (in
2 which case the Commission shall deny such
3 registration) that—

4 “(I) the applicant has failed to
5 certify to the Commission’s satisfaction
6 that it is able to consistently provide
7 proxy advice based on accurate infor-
8 mation and to materially comply with
9 the procedures and methodologies dis-
10 closed under paragraph (1)(B) and
11 with subsections (f) and (g); or

12 “(II) if the applicant were so reg-
13 istered, its registration would be sub-
14 ject to suspension or revocation under
15 subsection (d).

16 “(3) PUBLIC AVAILABILITY OF INFORMATION.—
17 Subject to section 24, the Commission shall make the
18 information and documents submitted to the Commis-
19 sion by a proxy advisory firm in its completed appli-
20 cation for registration, or in any amendment sub-
21 mitted under paragraph (1) or (2) of subsection (c),
22 publicly available on the Commission’s website, or
23 through another comparable, readily accessible means.

24 “(c) UPDATE OF REGISTRATION.—

1 “(1) *UPDATE.*—Each registered proxy advisory
2 *firm shall promptly amend and update its applica-*
3 *tion for registration under this section if any infor-*
4 *mation or document provided therein becomes materi-*
5 *ally inaccurate, except that a registered proxy advi-*
6 *sory firm is not required to amend the information*
7 *required to be filed under subsection (b)(1)(B)(i) by*
8 *filing information under this paragraph, but shall*
9 *amend such information in the annual submission of*
10 *the organization under paragraph (2) of this sub-*
11 *section.*

12 “(2) *CERTIFICATION.*—Not later than 90 cal-
13 *endar days after the end of each calendar year, each*
14 *registered proxy advisory firm shall file with the*
15 *Commission an amendment to its registration, in*
16 *such form as the Commission, by rule, may prescribe*
17 *as necessary or appropriate in the public interest or*
18 *for the protection of investors—*

19 “(A) *certifying that the information and*
20 *documents in the application for registration of*
21 *such registered proxy advisory firm continue to*
22 *be accurate in all material respects; and*

23 “(B) *listing any material change that oc-*
24 *curred to such information or documents during*
25 *the previous calendar year.*

1 “(d) *CENSURE, DENIAL, OR SUSPENSION OF REG-*
2 *ISTRATION; NOTICE AND HEARING.*—*The Commission, by*
3 *order, shall censure, place limitations on the activities,*
4 *functions, or operations of, suspend for a period not exceed-*
5 *ing 12 months, or revoke the registration of any registered*
6 *proxy advisory firm if the Commission finds, on the record*
7 *after notice and opportunity for hearing, that such censure,*
8 *placing of limitations, suspension, or revocation is nec-*
9 *essary for the protection of investors and in the public inter-*
10 *est and that such registered proxy advisory firm, or any*
11 *person associated with such firm, whether prior to or subse-*
12 *quent to becoming so associated—*

13 “(1) *has committed or omitted any act, or is*
14 *subject to an order or finding, enumerated in sub-*
15 *paragraph (A), (D), (E), (H), or (G) of section*
16 *15(b)(4), has been convicted of any offense specified in*
17 *section 15(b)(4)(B), or is enjoined from any action,*
18 *conduct, or practice specified in subparagraph (C) of*
19 *section 15(b)(4), during the 10-year period preceding*
20 *the date of commencement of the proceedings under*
21 *this subsection, or at any time thereafter;*

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

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

4 “(B) a substantially equivalent crime by a
5 foreign court of competent jurisdiction;

6 “(3) is subject to any order of the Commission
7 barring or suspending the right of the person to be as-
8 sociated with a registered proxy advisory firm;

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

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

13 “(6) fails to maintain adequate financial and
14 managerial resources to consistently offer advisory
15 services to clients that vote shares held on behalf of
16 shareholders consistent with the best economic interest
17 of those shareholders, including by failing to comply
18 with subsections (f) or (g);

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

23 “(8) engages in a prohibited act enumerated in
24 subsection (j).

25 “(e) *TERMINATION OF REGISTRATION.*—

1 “(1) *VOLUNTARY WITHDRAWAL.*—A registered
2 *proxy advisory firm may, upon such terms and con-*
3 *ditions as the Commission may establish as necessary*
4 *in the public interest or for the protection of investors,*
5 *which terms and conditions shall include at a min-*
6 *imum that the registered proxy advisory firm will no*
7 *longer conduct such activities as to bring it within*
8 *the definition of proxy advisory firm in section*
9 *3(a)(82), withdraw from registration by filing a writ-*
10 *ten notice of withdrawal to the Commission.*

11 “(2) *COMMISSION AUTHORITY.*—In addition to
12 *any other authority of the Commission under this*
13 *title, if the Commission finds that a registered proxy*
14 *advisory firm is no longer in existence or has ceased*
15 *to do business as a proxy advisory firm, the Commis-*
16 *sion, by order, shall cancel the registration under this*
17 *section of such registered proxy advisory firm.*

18 “(f) *MANAGEMENT OF CONFLICTS OF INTEREST.*—

19 “(1) *ORGANIZATION POLICIES AND PROCE-*
20 *DURES.*—Each registered proxy advisory firm shall
21 *establish, maintain, and enforce written policies and*
22 *procedures reasonably designed, taking into consider-*
23 *ation the nature of the business of such registered*
24 *proxy advisory firm and associated persons, to pub-*
25 *licly disclose and manage any conflicts of interest*

1 *that arise or would reasonably be expected to arise*
2 *from such business.*

3 “(2) COMMISSION AUTHORITY.—*The Commission*
4 *shall, within one year of the date of enactment of this*
5 *section, issue final rules to prohibit, or require the*
6 *management and public disclosure of, any conflicts of*
7 *interest relating to the offering of proxy advisory*
8 *services by a registered proxy advisory firm, includ-*
9 *ing, without limitation, conflicts of interest relating*
10 *to—*

11 “(A) *the manner in which a registered*
12 *proxy advisory firm is compensated by the cli-*
13 *ent, any affiliate of the client, or any other per-*
14 *son for providing proxy advisory services;*

15 “(B) *business relationships, ownership in-*
16 *terests, or any other financial or personal inter-*
17 *ests between a registered proxy advisory firm, or*
18 *any person associated with such registered proxy*
19 *advisory firm, and any client, or any affiliate of*
20 *such client;*

21 “(C) *the formulation of proxy voting poli-*
22 *cies;*

23 “(D) *the execution, or assistance with the*
24 *execution, of proxy votes if such votes are based*
25 *upon recommendations made by the proxy advi-*

1 *sory firm in which a person other than the issuer*
 2 *is a proponent; and*

3 *“(E) any other potential conflict of interest,*
 4 *as the Commission deems necessary or appro-*
 5 *priate in the public interest or for the protection*
 6 *of investors.*

7 *“(3) DISCLOSURE ON FACTORS INFLUENCING*
 8 *RECOMMENDATIONS.—Each registered proxy advisory*
 9 *firm shall annually disclose to the Commission and*
 10 *make publicly available the economic and other fac-*
 11 *tors that a reasonable investor would expect to influ-*
 12 *ence the recommendations of such proxy advisory*
 13 *firm, including the ownership composition of such*
 14 *proxy advisory firm and any meetings with, or feed-*
 15 *back received from, outside entities.*

16 *“(g) RELIABILITY OF PROXY ADVISORY FIRM SERV-*
 17 *ICES.—*

18 *“(1) IN GENERAL.—Each registered proxy advi-*
 19 *sory firm shall—*

20 *“(A) have staff and other resources suffi-*
 21 *cient to produce proxy voting recommendations*
 22 *that are based on accurate and current informa-*
 23 *tion and designed for clients that vote shares*
 24 *held on behalf of shareholders to advance the best*

1 *economic interest of those shareholders unless*
2 *otherwise specified;*

3 “(B) *implement procedures that permit*
4 *issuers that are the subject of proxy voting rec-*
5 *ommendations—*

6 “(i) *access in a reasonable time to data*
7 *and information used to make recommenda-*
8 *tions; and*

9 “(ii) *a reasonable opportunity to pro-*
10 *vide meaningful comment and corrections to*
11 *such data and information, including the*
12 *opportunity to present (in person or tele-*
13 *phonically) details to the person responsible*
14 *for developing such data and information*
15 *prior to the publication of proxy voting rec-*
16 *ommendations to clients;*

17 “(C) *employ an ombudsman to receive com-*
18 *plaints about the accuracy of information used*
19 *in making recommendations from the companies*
20 *that are the subject of the proxy advisory firm’s*
21 *voting recommendations and seek to resolve those*
22 *complaints in a timely fashion and prior to the*
23 *publication of proxy voting recommendations to*
24 *clients; and*

1 “(D) if the ombudsman is unable to resolve
 2 a complaint to a company’s satisfaction prior to
 3 the publication of proxy voting recommendations
 4 to clients, include in the final report of the firm
 5 to clients—

6 “(i) a statement detailing the com-
 7 pany’s complaints, if requested in writing
 8 by the company; and

9 “(ii) a statement explaining why the
 10 proxy voting recommendation is in the best
 11 economic interest of shareholders.

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

13 “(A) DATA AND INFORMATION USED TO
 14 MAKE RECOMMENDATIONS.—The term ‘data and
 15 information used to make voting recommenda-
 16 tions’—

17 “(i) means the financial, operational,
 18 or descriptive data and information on an
 19 issuer used by proxy advisory firms and
 20 any contextual or substantive analysis im-
 21 pacting the recommendation; and

22 “(ii) does not include the entirety of
 23 the proxy advisory firm’s final report to its
 24 clients.

1 “(B) *REASONABLE TIME*.—The term ‘rea-
2 sonable time’—

3 “(i) means not less than 1 week before
4 the publication of proxy voting rec-
5 ommendations for clients; and

6 “(ii) shall not otherwise interfere with
7 a proxy advisory firm’s ability to provide
8 its clients with timely access to accurate
9 proxy voting research, analysis, or rec-
10 ommendations.

11 “(h) *PRIVATE RIGHT OF ACTION WITH RESPECT TO*
12 *ILLEGAL RECOMMENDATIONS*.—Any proxy advisory firm
13 that endorses a proposal that is not supported by the issuer
14 but is approved and subsequently found by a court of com-
15 petent jurisdiction to violate State or Federal law shall be
16 liable to the applicable issuer for the costs associated with
17 the approval of such proposal, including implementation
18 costs and any penalties incurred by the issuer, and any
19 issuer seeking to enforce such liability may sue at law or
20 in equity in any court of competent jurisdiction.

21 “(i) *DESIGNATION OF COMPLIANCE OFFICER*.—Each
22 registered proxy advisory firm shall designate an indi-
23 vidual who reports directly to senior management as re-
24 sponsible for administering the policies and procedures that
25 are required to be established pursuant to subsections (f)

1 *and (g), and for ensuring compliance with the securities*
 2 *laws and the rules and regulations thereunder, including*
 3 *those promulgated by the Commission pursuant to this sec-*
 4 *tion.*

5 “(j) *PROHIBITED CONDUCT.*—

6 “(1) *PROHIBITED ACTS AND PRACTICES.*—*Not*
 7 *later than one year after the date of enactment of this*
 8 *section, the Commission shall issue final rules to pro-*
 9 *hibit any act or practice relating to the offering of*
 10 *proxy advisory services by a registered proxy advi-*
 11 *sory firm that the Commission determines to be un-*
 12 *fair, coercive, or abusive, including any act or prac-*
 13 *tice relating to—*

14 “(A) *advisory or consulting services (offered*
 15 *directly or indirectly, including through an affil-*
 16 *iate) related to corporate governance issues; or*

17 “(B) *modifying a voting recommendation or*
 18 *otherwise departing from its adopted systematic*
 19 *procedures and methodologies in the provision of*
 20 *proxy advisory services, based on whether an*
 21 *issuer, or affiliate thereof, subscribes or will sub-*
 22 *scribe to other services or product of the reg-*
 23 *istered proxy advisory firm or any person asso-*
 24 *ciated with such organization.*

1 “(2) *RULE OF CONSTRUCTION.*—Nothing in
 2 *paragraph (1), or in any rules or regulations adopted*
 3 *thereunder, may be construed to modify, impair, or*
 4 *supersede the operation of any of the antitrust laws*
 5 *(as defined in the first section of the Clayton Act, ex-*
 6 *cept that such term includes section 5 of the Federal*
 7 *Trade Commission Act, to the extent that such section*
 8 *5 applies to unfair methods of competition).*

9 “(k) *ANNUAL REPORT.*—

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

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

21 “(A) *A list of shareholder proposals the staff*
 22 *of the registered proxy advisory firm reviewed in*
 23 *the prior fiscal year.*

24 “(B) *A list of the recommendations made in*
 25 *the prior fiscal year.*

1 “(C) *The economic analysis conducted to*
2 *determine that final recommendations provided*
3 *in the prior fiscal year (other than recommenda-*
4 *tions relating to an issuer-sponsored proposal or*
5 *recommendations consistent with that of a board*
6 *of directors composed of a majority of inde-*
7 *pendent directors) delivered to clients that vote*
8 *shares held on behalf of shareholders were in the*
9 *best economic interest of those shareholders.*

10 “(D) *The staff who reviewed and made rec-*
11 *ommendations on such proposals in the prior fis-*
12 *cal year.*

13 “(E) *The qualifications of such staff to en-*
14 *sure that each of the recommendations for clients*
15 *that vote shares held on behalf of shareholders*
16 *were tied to the best economic interest of those*
17 *shareholders.*

18 “(F) *The recommendations made in the*
19 *prior fiscal year where the proponent of such rec-*
20 *ommendation was a client of or received services*
21 *from the proxy advisory firm.*

22 “(G) *A certification by the chief executive*
23 *officer, chief financial officer, and the primary*
24 *executive responsible for overseeing the compila-*
25 *tion and dissemination of proxy voting advice*

1 *that the final recommendations (other than rec-*
2 *ommendations relating to an issuer-sponsored*
3 *proposal or recommendations consistent with*
4 *that of a board of directors composed of a major-*
5 *ity of independent directors) delivered to clients*
6 *that vote shares held on behalf of shareholders in*
7 *the last fiscal year—*

8 *“(i) were based on internal controls*
9 *and procedures that are designed to ensure*
10 *accurate information and that such internal*
11 *controls and procedures are effective; and*

12 *“(ii) were based on the best economic*
13 *interest of those shareholders unless other-*
14 *wise specified.*

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

20 *“(3) REPORT FORMAT.—Each annual report re-*
21 *quired under paragraph (1) shall be made available*
22 *in a structured, machine-readable format, consistent*
23 *with existing electronic reporting standards.*

24 *“(l) TRANSPARENT POLICIES.—Each registered proxy*
25 *advisory firm shall file with the Commission and make*

1 *publicly available its methodology for the formulation of*
 2 *proxy voting policies and voting recommendations to clients*
 3 *that vote shares held on behalf of shareholders and how that*
 4 *methodology ensures that the firm’s voting recommenda-*
 5 *tions are in the best economic interest of those shareholders*
 6 *unless otherwise specified.*

7 “(m) *RULES OF CONSTRUCTION.—Registration under*
 8 *and compliance with this section does not constitute a waiv-*
 9 *er of, or otherwise diminish, any right, privilege, or defense*
 10 *that a registered proxy advisory firm may otherwise have*
 11 *under any provision of State or Federal law, including any*
 12 *rule, regulation, or order thereunder.*

13 “(n) *REGULATIONS.—*

14 “(1) *NEW PROVISIONS.—Such rules and regula-*
 15 *tions as are required by this section or are otherwise*
 16 *necessary to carry out this section, including the ap-*
 17 *plication form required under subsection (a)—*

18 “(A) *shall be issued by the Commission, not*
 19 *later than 180 days after the date of enactment*
 20 *of this section; and*

21 “(B) *shall become effective not later than 1*
 22 *year after the date of enactment of this section.*

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

1 “(A) review its existing rules and regula-
 2 tions which affect the operations of proxy advi-
 3 sory firms; and

4 “(B) amend or revise such rules and regula-
 5 tions in accordance with the purposes of this sec-
 6 tion, and issue such guidance as the Commission
 7 may prescribe as necessary or appropriate in the
 8 public interest or for the protection of investors.

9 “(o) *APPLICABILITY.*—This section, other than sub-
 10 section (m), which shall apply on the date of enactment of
 11 this section, shall apply on the earlier of—

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

14 “(2) 270 days after the date of enactment of this
 15 section.

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

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

1 (c) *PROXY ADVISORY FIRM DEFINITIONS.*—Section
 2 3(a) of the Securities Exchange Act of 1934 (15 U.S.C.
 3 78c(a)) is amended—

4 (1) by redesignating the second paragraph (80)
 5 (relating to funding portal) as paragraph (81); and
 6 (2) by adding at the end the following:

7 “(82) *PROXY ADVISORY FIRM.*—The term ‘proxy
 8 advisory firm’—

9 “(A) means any person that—

10 “(i) makes a recommendation to a se-
 11 curity holder as to the security holder’s vote,
 12 consent, or authorization on a specific mat-
 13 ter for which security holder approval is so-
 14 licited;

15 “(ii) markets the person’s expertise as
 16 a provider of such proxy voting advice sepa-
 17 rately from other forms of investment ad-
 18 vice; and

19 “(iii) sells such proxy voting advice for
 20 a fee; and

21 “(B) does not include—

22 “(i) a registered investment adviser; or

23 “(ii) any person that is exempt under
 24 law or regulation from the requirements

1 *otherwise applicable to persons engaged in*
2 *such a solicitation.*

3 “(83) *PERSON ASSOCIATED WITH A PROXY ADVI-*
4 *SORY FIRM.—With respect to a proxy advisory firm—*

5 “(A) *a person is ‘associated’ with the proxy*
6 *advisory firm if the person is—*

7 “(i) *a partner, officer, or director of*
8 *the proxy advisory firm (or any person oc-*
9 *cupying a similar status or performing*
10 *similar functions);*

11 “(ii) *a person directly or indirectly*
12 *controlling, controlled by, or under common*
13 *control with the proxy advisory firm;*

14 “(iii) *an employee of the proxy advi-*
15 *sory firm; or*

16 “(iv) *a person the Commission deter-*
17 *mines by rule is controlled by the proxy ad-*
18 *visory firm; and*

19 “(B) *a person is not ‘associated’ with the*
20 *proxy advisory firm if the person only performs*
21 *clerical or ministerial functions with respect to*
22 *a proxy advisory firm.”.*

1 ***TITLE VI—LIABILITY FOR CER-***
 2 ***TAIN FAILURES TO DISCLOSE***
 3 ***MATERIAL INFORMATION OR***
 4 ***MAKING OF MATERIAL***
 5 ***MISSTATEMENTS***

6 ***SEC. 601. LIABILITY FOR CERTAIN FAILURES TO DISCLOSE***
 7 ***MATERIAL INFORMATION OR MAKING OF MA-***
 8 ***TERIAL MISSTATEMENTS.***

9 *Section 14 of the Securities Exchange Act of 1934 (15*
 10 *U.S.C. 78n) is amended by adding at the end the following:*

11 *“(l) FALSE OR MISLEADING STATEMENTS.—For pur-*
 12 *poses of subsection (a) and Rule 14a-9 (17 CFR 240.14a-*
 13 *9) and any successor rule, the failure to disclose material*
 14 *information (such as a proxy voting advice business’s meth-*
 15 *odology, sources of information, or conflicts of interest) or*
 16 *the making of a material misstatement regarding proxy vot-*
 17 *ing advice that makes a recommendation to a security hold-*
 18 *er as to the security holder’s vote, consent, or authorization*
 19 *on a specific matter for which security holder approval is*
 20 *solicited, and that is furnished by a person that markets*
 21 *the person’s expertise as a provider of such proxy voting*
 22 *advice separately from other forms of investment advice,*
 23 *and sells such proxy voting advice for a fee, shall be consid-*
 24 *ered to be false or misleading with respect to a material*
 25 *fact.”.*

1 **TITLE VII—DUTIES OF INVEST-**
 2 **MENT ADVISERS, ASSET MAN-**
 3 **AGERS, AND PENSION FUNDS**

4 **SEC. 701. DUTIES OF INVESTMENT ADVISERS, ASSET MAN-**
 5 **AGERS, AND PENSION FUNDS.**

6 *Section 13(f) of the Securities Exchange Act of 1934*
 7 *(15 U.S.C. 78m(f)) is amended by adding at the end the*
 8 *following:*

9 “(7) *DISCLOSURES BY INSTITUTIONAL INVEST-*
 10 *MENT MANAGERS IN CONNECTION WITH PROXY ADVI-*
 11 *SORY FIRMS.—*

12 “(A) *IN GENERAL.—Every institutional in-*
 13 *vestment manager which uses the mails, or any*
 14 *means or instrumentality of interstate commerce*
 15 *in the course of its business as an institutional*
 16 *investment manager, which engages a proxy ad-*
 17 *visory firm, and which exercises voting power*
 18 *with respect to accounts holding equity securities*
 19 *of a class described in subsection (d)(1) or other-*
 20 *wise becomes or is deemed to become a beneficial*
 21 *owner of any security of a class described in sub-*
 22 *section (d)(1) upon the purchase or sale of a se-*
 23 *curity-based swap that the Commission may de-*
 24 *fine by rule, shall file an annual report with the*
 25 *Commission containing—*

1 “(i) an explanation of how the institu-
2 tional investment manager voted with re-
3 spect to each shareholder proposal;

4 “(ii) the percentage of votes cast on
5 shareholder proposals that were consistent
6 with proxy advisory firm recommendations,
7 for each proxy advisory firm retained by
8 the institutional investment manager;

9 “(iii) an explanation of—

10 “(I) how the institutional invest-
11 ment manager took into consideration
12 proxy advisory firm recommendations
13 in making voting decisions, including
14 the degree to which the institutional
15 investment manager used those rec-
16 ommendations in making voting deci-
17 sions;

18 “(II) how often the institutional
19 investment manager voted consistent
20 with a recommendation made by a
21 proxy advisory firm, expressed as a
22 percentage;

23 “(III) how such votes are rec-
24 onciled with the fiduciary duty of the
25 institutional investment manager to

1 *vote in the best economic interests of*
2 *shareholders;*

3 “(IV) *how frequently votes were*
4 *changed when an error occurred or due*
5 *to new information from issuers; and*

6 “(V) *the degree to which invest-*
7 *ment professionals of the institutional*
8 *investment manager were involved in*
9 *proxy voting decisions; and*

10 “(iv) *a certification that the voting de-*
11 *cisions of the institutional investment man-*
12 *ager were based solely on the best economic*
13 *interest of the shareholders on behalf of*
14 *whom the institutional investment manager*
15 *holds shares.*

16 “(B) *REQUIREMENTS FOR LARGER INSTITU-*
17 *TIONAL INVESTMENT MANAGERS.—Every institu-*
18 *tional investment manager described in subpara-*
19 *graph (A) that has regulatory assets under man-*
20 *agement with an aggregate fair market value on*
21 *the last trading day in any of the preceding*
22 *twelve months of at least \$100,000,000,000*
23 *shall—*

24 “(i) *in any materials provided to cus-*
25 *tomers and related to customers voting their*

1 *shares, clarify that shareholders are not re-*
2 *quired to vote on every proposal;*

3 “(ii) *with respect to each shareholder*
4 *proposal for which the institutional invest-*
5 *ment manager votes (other than votes con-*
6 *sistent with the recommendation of a board*
7 *of directors composed of a majority of inde-*
8 *pendent directors) perform an economic*
9 *analysis before making such vote, to deter-*
10 *mine that the vote is in the best economic*
11 *interest of the shareholders on behalf of*
12 *whom the institutional investment manager*
13 *holds shares; and*

14 “(iii) *include each economic analysis*
15 *required under clause (ii) in the annual re-*
16 *port required under subparagraph (A).*

17 “(C) *BEST ECONOMIC INTEREST DE-*
18 *FINED.—In this paragraph, the term ‘best eco-*
19 *nomical interest’ means decisions that seek to*
20 *maximize investment returns over a time horizon*
21 *consistent with the investment objectives and risk*
22 *management profile of the fund in which share-*
23 *holders are invested.’”.*

***TITLE VIII—PROTECTING
AMERICANS’ SAVINGS***

SEC. 801. REQUIREMENTS RELATED TO PROXY VOTING.

Section 14 of the Securities Exchange Act of 1934 (15 U.S.C. 78n), as amended by section 601, is further amended by adding at the end the following:

“(m) PROHIBITION ON ROBOVOTING.—

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

“(2) ROBOVOTING DEFINED.—In this subsection, the term ‘robovoting’ means the practice of automatically voting in a manner consistent with the recommendations of a proxy advisory firm or on a proxy advisory firm’s electronic voting platform with the proxy advisory firm’s recommendations, in either case, without independent review and analysis.

“(n) PROHIBITION ON OUTSOURCING VOTING DECISIONS BY INSTITUTIONAL INVESTORS.—With respect to votes related to proxy or consent solicitation materials, an institutional investor may not outsource voting decisions to any person other than an investment adviser or a broker or dealer that is registered with the Commission, or is ex-

1 *empt from such registration, and has a fiduciary or best*
 2 *interest duty to the institutional investor.*

3 “(o) *NO REQUIREMENT TO VOTE.*—No person may be
 4 *required to cast votes related to proxy or consent solicitation*
 5 *materials, unless obligated by their fiduciary duty or Rule*
 6 *206(4)–6 (17 CFR 275.206(4)–6).*”.

7 ***TITLE IX—EMPOWERING***
 8 ***SHAREHOLDERS***

9 ***SEC. 901. PROXY VOTING OF PASSIVELY MANAGED FUNDS.***

10 (a) *IN GENERAL.*—The Investment Advisers Act of
 11 1940 (15 U.S.C. 80b-1 et seq.) is amended by inserting after
 12 section 208 (15 U.S.C. 80b-8) the following:

13 ***“SEC. 208A. PROXY VOTING OF PASSIVELY MANAGED***
 14 ***FUNDS.***

15 “(a) *INVESTMENT ADVISER PROXY VOTING.*—

16 “(1) *IN GENERAL.*—An investment adviser that
 17 holds authority to vote a proxy solicited by an issuer
 18 pursuant to section 14 of the Securities Exchange Act
 19 of 1934 (15 U.S.C. 78n) in connection with any vote
 20 of covered securities held by a passively managed
 21 fund shall—

22 “(A) *vote in accordance with the instruc-*
 23 *tions (which may include the selection or default*
 24 *choice of a published voting policy) of the bene-*
 25 *ficial owner (or fiduciary or other designee with*

1 *investment and proxy voting authority on their*
2 *behalf) of a voting security of the passively man-*
3 *aged fund;*

4 “(B) *vote in accordance with the voting rec-*
5 *ommendations of the board of directors (or simi-*
6 *lar governing body) of such issuer;*

7 “(C) *abstain from voting such securities but*
8 *make reasonable efforts to be considered present*
9 *for purposes of establishing a quorum; or*

10 “(D) *pursuant to rules issued by the Com-*
11 *mission, instruct vote tabulators to make a rea-*
12 *sonable effort to mirror vote shares to reflect the*
13 *elections of the other shareholders in the covered*
14 *security.*

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

17 “(b) *SAFE HARBOR.—With respect to a routine or*
18 *non-routine vote, voted in the manner required by sub-*
19 *section (a)(1), an investment adviser shall not be liable to*
20 *any person under any law or regulation of the United*
21 *States, any constitution, law, or regulation of any State*
22 *or political subdivision thereof, or under any contract or*
23 *other legally enforceable agreement (including any arbitra-*
24 *tion agreement), for any of the following:*

1 “(1) *Voting in accordance with the instructions*
2 *of the beneficial owner (or that beneficial owner’s des-*
3 *ignee with investment and proxy voting authority) of*
4 *a voting security of the passively managed fund.*

5 “(2) *Not soliciting voting instructions from any*
6 *person.*

7 “(3) *Voting in accordance with the voting rec-*
8 *ommendations of an issuer under subsection (a)(1)(B)*
9 *with respect to such vote.*

10 “(4) *Abstaining from voting in accordance with*
11 *subsection (a)(1)(C) with respect to such vote.*

12 “(5) *Instructing vote tabulators to make a rea-*
13 *sonable effort to mirror vote shares to reflect the elec-*
14 *tions of the other shareholders in a covered security,*
15 *pursuant to rules issued by the Commission described*
16 *in subsection (a)(1)(D).*

17 “(c) *FOREIGN PRIVATE ISSUERS EXEMPTION.—Sub-*
18 *section (a) shall not apply with respect to a foreign private*
19 *issuer if the published voting policy of the investment advi-*
20 *sor with respect to such foreign private issuer is fully and*
21 *fairly disclosed to beneficial owners, including the extent*
22 *to which such policy differs from the published voting policy*
23 *for non-exempt issuers.*

24 “(d) *DISSEMINATION OF INFORMATION.—*

1 “(1) *IN GENERAL.*—Any investment adviser sub-
 2 ject to the requirements of subsection (a)(1) shall,
 3 with respect to the dissemination of information and
 4 other material to a voting person, comply with the
 5 following requirements, unless the voting person af-
 6 firmatively declines to receive that information and
 7 other material:

8 “(A) Provide the voting person (or the rel-
 9 evant intermediary with whom the investment
 10 adviser has access) with a form to select a pub-
 11 lished voting policy.

12 “(B) Provide the voting person with not less
 13 than 5 business days after the date on which the
 14 voting person receives the form described under
 15 subparagraph (A) to return that form to the in-
 16 vestment adviser.

17 “(2) *ELECTRONIC DELIVERY.*—All, or any por-
 18 tion, of the materials that an investment adviser is
 19 required to provide under paragraph (1)(A) may be
 20 provided electronically, including through—

21 “(A) an internet website;

22 “(B) another digital, internet, or electronic-
 23 based information repository; or

24 “(C) a mobile application.

25 “(e) *DEFINITIONS.*—In this section:

1 “(1) *COVERED SECURITY*.—The term ‘covered se-
2 *curity*’—

3 “(A) means a voting security, as that term
4 is defined in section 2(a) of the Investment Com-
5 pany Act of 1940 (15 U.S.C. 80a-2(a)), in which
6 a qualified fund is invested; and

7 “(B) does not include any voting security
8 (as defined in subparagraph (A)) of an issuer
9 registered with the Commission as an investment
10 company under section 8 of the Investment Com-
11 pany Act of 1940 (15 U.S.C. 80a-8).

12 “(2) *PASSIVELY MANAGED FUND*.—The term
13 ‘passively managed fund’ means a qualified fund—

14 “(A) that—

15 “(i) is designed to track, or is derived
16 from, an index of securities or a portion of
17 such an index;

18 “(ii) discloses that the qualified fund is
19 a passive index fund; or

20 “(iii) allocates not less than 60 percent
21 of the total assets of the qualified fund to an
22 investment strategy that is designed to
23 track, or is derived from, an index of securi-
24 ties or a portion of such an index fund; and

1 “(B) that commits to refrain from exer-
 2 cising control over an issuer through voting or
 3 investment authority.

4 “(3) *PUBLISHED VOTING POLICY.*—The term
 5 ‘published voting policy’ means—

6 “(A) a policy that—

7 “(i) articulates how proportionate
 8 shares would be expected to be voted in an-
 9 ticipated proxy voting matters; and

10 “(ii) is made available to investors, in-
 11 cluding via website or other electronic
 12 means; and

13 “(B) in the case of a policy of a passively
 14 managed fund or an investment adviser, a policy
 15 that does not—

16 “(i) seek to set the strategy or day-to-
 17 day management decisions of the issuer;

18 “(ii) involve submitting shareholder
 19 proposals;

20 “(iii) seek to nominate directors; and

21 “(iv) coordinate votes with other index
 22 managers.

23 “(4) *QUALIFIED FUND.*—The term ‘qualified
 24 fund’ means—

25 “(A) an investment company;

1 “(B) a private fund;

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

5 “(D) a trust, plan, account, or other entity
6 described in section 3(c)(11) of the Investment
7 Company Act of 1940 (15 U.S.C. 80a-3(c)(11));

8 “(E) a plan maintained by an employer de-
9 scribed in clause (i), (ii), or (iii) of section
10 403(b)(1)(A) of the Internal Revenue Code of
11 1986 to provide annuity contracts described in
12 section 403(b) of such Code;

13 “(F) a common trust fund, or similar fund,
14 maintained by a bank;

15 “(G) any fund established under section
16 8438(b)(1) of title 5, United States Code; or

17 “(H) any separate managed account of a
18 client of an investment adviser.

19 “(5) ROUTINE MATTER.—The term ‘routine mat-
20 ter’—

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

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

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

1 “(iii) the selection of auditors; or

2 “(iv) declassification; and

3 “(B) does not include—

4 “(i) a proposal that is not submitted to
5 a holder of covered securities by means of a
6 proxy statement comparable to that de-
7 scribed in section 240.14a-101 of title 17,
8 Code of Federal Regulations, or any suc-
9 cessor regulation; or

10 “(ii) a proposal that is—

11 “(I) the subject of a counter-solici-
12 tation; or

13 “(II) part of a proposal made by
14 a person other than the applicable reg-
15 istrant.”.

16 (b) *EFFECTIVE DATE.*—The amendment made by this
17 section shall take effect 1 year after the date of enactment
18 of this Act.

19 ***TITLE X—BEST INTEREST BASED***
20 ***ON PECUNIARY FACTORS***

21 ***SEC. 1001. PROTECTING RETAIL INVESTORS’ SAVINGS.***

22 (a) *BEST INTEREST BASED ON PECUNIARY FAC-*
23 *TORS.*—Section 211(g) of the Investment Advisers Act of
24 1940 (15 U.S.C. 80b–11(g)) is amended by adding at the
25 end the following:

1 “(3) *BEST INTEREST BASED ON PECUNIARY FAC-*
2 *TORS.—*

3 “(A) *IN GENERAL.—For purposes of para-*
4 *graph (1), when providing personalized invest-*
5 *ment advice, the best interest of a customer shall*
6 *be determined using pecuniary factors, which,*
7 *subject to applicable law, may not be subordi-*
8 *nated to or limited by non-pecuniary factors,*
9 *unless—*

10 “(i) *the customer provides informed*
11 *consent, whether by e-delivery or e-sign,*
12 *that such non-pecuniary factors be consid-*
13 *ered; or*

14 “(ii) *the personalized investment ad-*
15 *vice is consistent with the customer’s writ-*
16 *ten investment profile information.*

17 “(B) *DISCLOSURE OF PECUNIARY EF-*
18 *FECTS.—If a customer provides a broker, dealer,*
19 *or investment adviser with the informed consent*
20 *to consider non-pecuniary factors described*
21 *under subparagraph (A), the broker, dealer, or*
22 *investment adviser shall provide qualitative dis-*
23 *closure of the potential pecuniary effects to the*
24 *customer of prioritizing non-pecuniary factors*

1 *over pecuniary factors in making investment de-*
2 *cisions.*

3 “(C) *PECUNIARY FACTOR DEFINED.*—*In this*
4 *paragraph, the term ‘pecuniary factor’ means a*
5 *factor that a fiduciary prudently determines is*
6 *expected to have a material effect on the risk or*
7 *return of an investment based on investment ob-*
8 *jectives, risk tolerance, and time horizon.”.*

9 (b) *RULEMAKING.*—*Not later than the end of the 12-*
10 *month period beginning on the date of enactment of this*
11 *Act, the Securities and Exchange Commission shall revise*
12 *or issue such rules as may be necessary to implement the*
13 *amendment made by paragraph (1).*

14 (c) *APPLICABILITY.*—*The amendment made by para-*
15 *graph (1) shall apply to a recommendation made by a*
16 *broker or dealer and investment advice provided by an in-*
17 *vestment adviser beginning on the date that is 12 months*
18 *after the date of enactment of this Act.*

Union Calendar No. 618

119TH CONGRESS
2^D Session

H. R. 8286

[Report No. 119-712]

A BILL

To amend the Federal securities laws with respect to the materiality of disclosure requirements, to establish the Public Company Advisory Committee, and for other purposes.

JUNE 24, 2026

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed