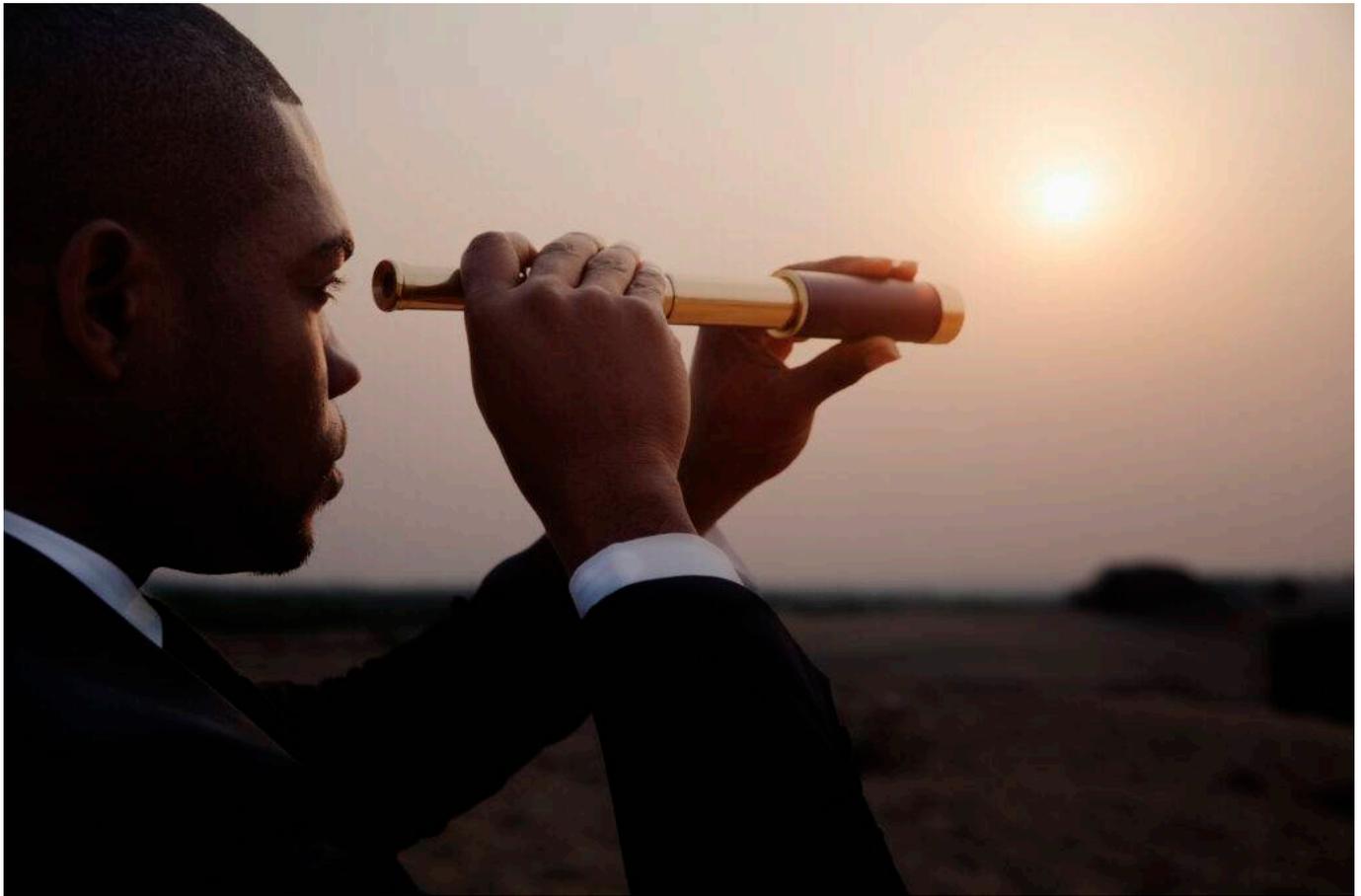


SEC Proposed Amendments to Form N-PX

October 12, 2021



Written by: Jim Chekos

The SEC has announced Proposed Amendments to Form N-PX that would enhance the information mutual funds, exchange-traded funds, and certain other funds report about their proxy votes to make that information easier to analyze. The proposed amendments would also require institutional investment managers to disclose how they voted on executive compensation or so-called “say-on-pay” matters.

The SEC has proposed a new rule, 14Ad-1 under the Securities Exchange Act of 1934 (“Exchange Act”) and amendments to Form N-PX. These proposed changes will require an institutional investment manager subject to Form 13F disclosure to report annually on Form N-PX how it voted proxies relating to executive compensation matters (“say on pay” votes) as required by section 14A of the Exchange Act. The Commission also proposed amendments to Forms N-1A, N-2, and N-3 that would require funds to disclose that they will post proxy voting records on their websites and make the records available to investors upon request, free of charge in both cases.

The proposed amendments would require funds and managers (“reporting persons”) to use the same language as the issuer’s Form of proxy in an effort to improve identification and categorization of proxy voting matters. It

would also require reporting persons to categorize their votes so that investors can focus on the topics they find important. In addition, reporting persons would be required to disclose the number of shares voted (or instructed to be cast), as well as the number of shares loaned but not recalled. This additional information would provide context for understanding how securities lending activities affect the reporting person's voting practices. It would allow an investor to understand the magnitude of split votes which is when a reporting person votes in multiple ways on the same matter.

In addition, the proposal would require reporting persons to update Form N-PX from plain-text or HTML format to XML structured data language, and to adopt a standardized order of disclosure requirements. It would also require funds that offer multiple series of shares to provide the complete voting record of each series separately. These changes are intended to make it easier for investors to efficiently locate votes of interest.

Finally, proposed rule 14Ad-1 would require managers to report annually on Form N-PX all say-on-pay votes over which the manager exercised voting power. The rule would require a manager to report say-on-pay votes when it uses voting power to influence a voting decision with respect to a security. It would permit joint reporting of say-on-pay votes by managers, or by managers and funds, under identified circumstances to avoid duplicative reporting, while also requiring additional disclosure to allow identification of a given manager's full say-on-pay voting record. Institutional investment managers would be required to comply with the other requirements of Form N-PX for their say-on-pay votes.

Investors often face difficulties analyzing Form N-PX reports for a number of reasons. Funds may report their votes in an inconsistent manner or in a format that is not machine-readable, making it more difficult for investors to analyze the reported data. This proposal would make funds' proxy voting records more usable and easier to analyze, improving investors' ability to monitor how their funds vote and compare different funds' voting records. These proposed amendments have been published on the SEC's website, and the Public Comment Period will remain open for 60 days after publication in the Federal Register.