Press Release

New Primer: Regulating Proxy Advisory Firms

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Institutional investors, such as pension funds, own stakes in thousands of companies, which makes voting in shareholder meetings inconvenient at best. Proxy advisory firms exist to fill this need, advising institutional investors on how to vote, yet these firms have come under scrutiny recently for several reasons. AAF's Director of Financial Services Policy Thomas Wade explains the function and potential problems with proxy advisory firms, as well as recent efforts to regulate them.

An excerpt:

> *While proxy advisory firms have served an important role in improving shareholder representation in corporate governance, their business activities and lack of oversight have prompted both lawmakers and regulators to explore opportunities for reform. Their concerns largely focus on three major issues. First, there exists little to no transparency as to the guidelines and methodologies used by proxy advisory firms when making their recommendations. Second, the proxy advisory firms often face conflicts of interests between their own shareholders and the investment funds and other clients they serve. Third, only two firms dominate the proxy advisory market, leading to significant competition concerns.*

Continue reading here.