

## SEC enhances disclosure of registered fund proxy voting and institutional manager “say-on-pay” votes

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The SEC’s new rule and amendments require registered funds to comply with enhanced and standardized reporting requirements on proxy voting and require institutional investment managers to report information on voting regarding certain executive compensation matters.

On November 2, 2022, the Securities and Exchange Commission (SEC) [adopted](#) new rule and form amendments (the Amendments) that impose enhanced disclosure requirements on registered funds (funds) with respect to their proxy votes reported on Form N-PX. The Amendments also require institutional investment managers to disclose their voting history on certain executive compensation, or “say-on-pay”, matters. The Amendments are meant to provide investors with transparent and consistent information on how managers and funds exercise their voting power and to make such information easily digestible for investors. The primary elements of the Amendments include:

- **Identification of proxy voting matters and categories:** For proxy votes that require a proxy card to be filed with the SEC, funds must:
  - Use the same language as that used on the issuer’s proxy card to identify matters on which the fund has voted, and the matters must be presented in the same order as they appear on the issuer’s proxy card.
  - Categorize their votes so investors can readily identify topics they may find important or relevant. Categories include, among others: votes related to director elections, extraordinary transactions, say-on-pay, shareholder rights and defenses, and the environment or climate.
- **Quantitative disclosure and securities lending:** With respect to reporting on Form N-PX, funds must disclose:
  - The number of shares voted or instructed to be cast.
  - How shares were voted (e.g., for, against, or abstain from voting).
  - The number of shares loaned but not recalled, and thus not voted.
- **Structured data language and standardized reporting format:**
  - The Amendments standardize the order of disclosure on Form N-PX, and each fund (including each series of a multi-series trust) will be required to report its complete voting record separately.
  - Funds must file reports using an XML structured data language.
- **Say-on-pay disclosure for institutional investment managers:**
  - Managers must annually report on Form N-PX each say-on-pay vote for which the manager exercised voting power. In certain circumstances, managers, or managers and funds, may jointly report say-on-pay votes.
  - Managers must also comply with the other Form N-PX requirements with respect to say-on-pay votes.

# Effective date and transition period

The Amendments will become effective July 1, 2024. Therefore, managers and funds will be required to file their first reports on the amended Form N-PX by August 31, 2024, with these reports covering the period of July 1, 2023 to June 30, 2024.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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