

# SEC Adopts Enhanced Proxy Voting Reporting Requirements for Funds and Managers

## Investment Services Group Client Alert

On November 2, 2022, the SEC adopted amendments to Form N-PX that expand the information that registered funds must disclose about their proxy votes. The amendments also impose Form N-PX reporting requirements on institutional investment managers subject to reporting requirements under Section 13(f) of the Securities Exchange Act of 1934 with respect to those managers' votes on say-on-pay proposals of securities over which those managers exercise voting power. The amendments are intended to provide more usable and uniform voting records that investors and third-party research firms can more easily access and analyze.

The amendments to the SEC's Form N-PX reporting requirements include:

- **Standardized language, reporting format and website availability of information.** The amendments will require reporting persons to describe voting matters on Form N-PX using the same language and presenting items in the same order as on the form of proxy prepared pursuant to Rule 14a-4 under the Exchange Act. For voting matters for which a form of proxy is not required under Rule 14a-4, reporting persons must provide a "brief identification of the matter voted on." Funds must also categorize voting matters on Form N-PX by type, disclose voting information separately by series, prepare and file Forms N-PX using a custom XML structured data language and make voting records publicly available free of charge on or through their websites and upon request.
- **Quantitative disclosures, including for securities on loan.** The amendments will require funds to disclose the number of shares that were voted (or if not known, that were instructed to be cast) and how those shares were voted (e.g., for, against or abstain), as well as the number of shares that were loaned and not recalled for the vote. Funds are currently required to report information for each matter considered at a shareholder meeting with respect to which a portfolio security held by the fund is "entitled to vote." The amendments provide that portfolio securities on loan as of the record date for a shareholder meeting are securities "entitled to vote" at the meeting. This change is designed to ensure transparency on how a fund's securities lending activity may affect its proxy voting practices.
- **Say-on-pay reporting on Form N-PX for institutional investment managers.** New Rule 14Ad-1 under the Exchange Act subjects each person that is (1) an institutional investment manager as defined in the Exchange Act and (2) required to file reports under Section 13(f) of the Exchange Act to an annual Form N-PX reporting requirement with respect to say-on-pay votes if the manager exercises voting power over the applicable securities. The rule adopts a two-part test for determining whether a vote must be reported, requiring both the power to vote a security (including the power to direct another party to vote the security) and the actual use of such power to influence the voting decision. To the extent an institutional investment manager does not exercise voting power over any securities that held say-on-pay votes during a given reporting period and has a disclosed policy of not voting proxies, the manager would file a report on Form N-PX affirmatively stating that fact. Lastly, the rule permits joint reporting of say-on-pay votes to avoid duplicative reporting subject to certain conditions.

The amendments will become effective on July 1, 2024, meaning that managers and funds will file their first reports on amended Form N-PX on or before August 31, 2024, with such reports covering voting activity during the period from July 1, 2023 to June 30, 2024.

The SEC's adopting release is available [here](#), a related fact sheet is available [here](#), and a related press release is available [here](#).

Please contact a member of Vedder Price's [Investment Services Group](#) if you have any questions.

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