

## SEC Proposes Rule Relating to Implementation of Section 14A(d) of the Exchange Act

Written by Jeffrey D. Collins, Meredith A. Haviland

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On October 18, 2010, the Securities and Exchange Commission (the SEC) issued proposed rule 14Ad-1, relating to new Section 14A(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Section 14A, which relates to shareholder approval of executive compensation, was adopted in July 2010 under Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 14A(d) relates to the disclosure of those votes required under Sections 14A(a) and (b) of the Exchange Act by certain institutional investment managers.

If adopted, the proposed rule (the "Proposed Rule") would require every institutional investment manager that is required to file reports under Section 13(f) of the Exchange Act (see below) to report, at least annually, on Form N-PX how they voted on the executive compensation-related shareholder votes required by Sections 14A(a) and (b) of the Exchange Act (Section 14A Votes). An institutional investment manager would be required to report Section 14A Votes only for those securities over which such institutional investment manager had or shared the power to vote or to direct voting, as opposed to those over which they had investment discretion (the standard used for making reports on Form 13F).

Under the Proposed Rule, disclosures by institutional investment managers regarding Section 14A Votes would be made on Form N-PX, which is the form currently used by registered management investment companies to report their annual proxy voting record. The information to be disclosed under the Proposed Rule is substantially the same as the information currently required by Form N-PX except that:

- information would be required regarding the number of shares the reporting person was entitled to vote or had or shared voting power over, and the number of shares that were voted; and
- the institutional investment managers who had or shared voting power for a matter would be identified.

If the Proposed Rule is adopted, the SEC expects to require institutional investment managers to file their first reports on Form N-PX not later than August 31, 2011 covering Section 14A Votes at meetings occurring between January 21, 2011 and June 30, 2011. Going forward, institutional investment managers would generally be required to report their Section 14A Votes annually on Form N-PX not later than August 31 of each year, for the most recent twelve-month period ended June 30. This is the same schedule on which registered management investment companies are required to report their complete proxy voting records on Form N-PX.

Comments regarding the Proposed Rule must be received by the SEC on or before **November 18, 2010**.

### Section 13(f)(6)(A) of the Exchange Act

Section 13(f)(6)(A) of the Exchange Act defines the term institutional investment manager to include any person, other than a natural person, investing in or buying and selling securities for its own account, and any person exercising investment discretion with respect to the account of any other person. An institutional investment manager is required to file reports under Section 13(f) if the institutional investment manager exercises investment discretion with respect to accounts holding Section 13(f) securities having an aggregate fair market value on the last trading day of any month of any calendar year of at least \$100 million. Institutional investment managers meeting this threshold are required to file quarterly reports with the SEC on Form 13F disclosing their holdings of Section 13(f) securities for the final quarter of the calendar year in which the threshold is met and continuing for each of the first three quarters of the subsequent calendar year.

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