

**STATEMENT FOR THE RECORD FROM
BUSINESS ROUNDTABLE**

**SUBMITTED TO THE
SUBCOMMITTEE ON CAPITAL MARKETS, SECURITIES, AND INVESTMENT
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES**

**HEARING ON
“THE COST OF BEING A PUBLIC COMPANY IN LIGHT OF SARBANES-OXLEY AND THE FEDERALIZATION OF
CORPORATE GOVERNANCE”**

JULY 18, 2017

Thank you, Chairman Huizenga, Ranking Member Maloney and members of the Committee, for the opportunity to offer the views of America’s business leaders on the important topics you are examining today.

Business Roundtable is an association of chief executive officers of leading U.S. companies. Our member companies employ nearly 15 million U.S. employees and produce more than \$6 trillion in annual revenues. The combined market capitalization of Business Roundtable member companies is the equivalent of nearly one-quarter of total U.S. stock market capitalization, and they annually pay over \$220 billion in dividends to shareholders, generate more than \$400 billion in sales for small and medium-sized businesses and invest over \$100 billion in research and development.

We are grateful for the opportunity to provide our perspective on the federal regulatory environment that governs U.S. capital markets and affects the ability of U.S. public companies to invest, hire and expand.

America’s business leaders have long called for a smarter, more effective approach to financial regulation that focuses on limiting systemic economic risk while continuing to enable U.S. businesses to innovate and grow. We thank the Subcommittee for exercising its oversight authority to review the current state of financial regulation.

The architecture of the U.S. financial regulatory system, which has evolved over more than a century, is fragmented, duplicative and highly inefficient. This state of affairs is well documented in the new report from the U.S. Department of the Treasury, [*A Financial System that Creates Economic Opportunities: Banks and Credit Unions*](#). Page 29 of that report illustrates the tangled web of overlapping regulatory agencies with jurisdiction over U.S. financial services companies.

The CEOs of Business Roundtable hope that the work of this Subcommittee, including this hearing, will help shine a light on the fact that America's financial regulatory system can be more effective. We welcome the opportunity to work with you to develop and enact constructive ideas for reform.

Moving from the general to specific matters, I would like to reiterate some of the top regulatory and oversight concerns of U.S. business leaders. As Business Roundtable wrote in a [May 2 letter](#) to Chairman Hensarling and Ranking Member Waters, we strongly support provisions of the *Financial CHOICE Act* that would:

- Improve oversight of, and accountability for, proxy advisory firms;
- Modernize the shareholder proposal process by updating ownership thresholds and holding requirements for eligibility to offer proposals;
- Reset the proxy access process, enabling modernization and reform;
- Remove the government from the business of regulating private-sector compensation;
- Eliminate the Volcker Rule, which would re-impose an outdated financial regulatory regime on the U.S. banking sector;
- Modernize the civil penalty regulations and procedures at the U.S. Securities and Exchange Commission (SEC); and
- Eliminate the mandatory disclosure of non-material information, including specialized public company disclosure.

We appreciate the Subcommittee's efforts for helping to advance the *CHOICE Act* through the House. While prospects for passing that legislation in the Senate remain uncertain, this Subcommittee can further advance the important goals embodied in the *Act* through focused oversight.

The activities of proxy advisory firms, for example, merit greater scrutiny from Congress. In [May 2016 testimony before this Subcommittee](#), John Hayes, Chairman, President and Chief Executive Officer of Ball Corporation and Chair of the Business Roundtable Committee on Corporate Governance, highlighted proposed reforms that called for:

- Proxy advisory firms to register under the *Investment Advisers Act of 1940* (*Advisers Act*), under a tailored regulatory framework that reflects the unique role they play in the proxy voting process;
- Conflict of interest disclosure by proxy advisory firms that describe specific conflicts and not just reliance on generalized statements about conflicts of interest;
- Proxy advisory firms to provide more transparency involving their internal controls, policies, procedures, guidelines and methodologies;
- Proxy advisory firms to provide public companies with copies of their draft reports sufficiently in advance of dissemination to their clients, to permit correction of inaccurate information;
- Proxy advisory firms to publicly disclose the final report about a public company 90 days after a shareholder meeting has occurred; and

- That new SEC rules or guidance emphasize the responsibility of each registered investment adviser to exercise appropriate oversight over its proxy voting process and ensure that its voting decisions with respect to client securities are in the best interests of its clients.

These recommendations for improving the accuracy and value of the services provided by proxy advisory firms also serve as the outline for a robust Subcommittee oversight agenda.

Modernizing and updating U.S. financial services regulation, as this Subcommittee clearly intends to do, will better enable U.S. businesses to create increased value for shareholders, more and higher-paying jobs for employees, and greater economic opportunity for all Americans.

Thank you again for the opportunity to express the views of America's business leaders on the federal financial regulatory system. We look forward to working with all members of the Subcommittee to advance sensible U.S. regulatory improvements.