



GLOBAL ADVOCACY NEWS AND UPDATE

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As some parts of the world start to put the global pandemic in the rearview mirror and move forward with economic recovery, CFA Institute is focused on analyzing the path ahead. CFA Institute released its second survey of global membership views and insights on the post-pandemic financial world, which has received significant media coverage. We also are focused on moving forward with creating standards on environmental, social, and governance (ESG) investment products to enhance transparency and integrity. In the United States, we are closely watching actions by the Securities Exchange Commission (SEC), Public Company Accounting Oversight Board (PCAOB), and US Congress on several key investor protection issues. Finally, this issue highlights our latest advocacy in action, including recent events, activities, and media coverage.

INVESTOR PROTECTION

SEC TO REVISIT ILL-CONCEIVED PROXY ADVISOR RULES

New guidance: In a big win for investors, SEC Chair Gary Gensler [directed](#) SEC staff to revisit the 2019 Interpretation and Guidance and the 2020 Rule Amendments concerning proxy voting advice. In response to the directive, the SEC also [announced](#) these amendments will not be enforced pending the additional review.

Stifling investment advice: The [amendments](#) adopted in July 2020 tightened regulation and imposed new conditions and rules on proxy voting advice from proxy advisory firms by interpreting proxy voting advice as a proxy solicitation. As CFA Institute wrote in the [amici brief](#) in support of the Institutional Shareholder Services' (the world's largest proxy advisory firm) lawsuit on the rules, this regulatory approach lacks any legal or economic basis. The rules impair the independence of proxy advisers, reducing the reliability and completeness of voting advice.

Our position: CFA Institute applauds the SEC's move to consider reversing course on the ill-conceived rules. We have maintained that the proxy voting rules and accompanying investment adviser guidance were, at best, a solution in search of a problem. The rules targeted proxy advisers in what amounts to a punitive action against shareholders, who are increasingly using their voice to hold corporate management accountable, and misguided support for corporate retaliation against research analysts. As we summarized in [SEC Proxy Rules Pose Threat to Markets, Shareholders](#), the rules had "nothing to do with investor protection, nor enhancing the mix of information available to shareholders; and everything to do with the issuers' desire to sway proxy voting outcomes." CFA Institute has strongly upheld that analyst independence, whether it pertains to sell-side research or proxy advice, is paramount.

ADVOCACY ENGAGEMENT & ACTIVITIES

SURVEY PREDICTS UNEVEN POST-PANDEMIC RECOVERY

One year later: With one full year's perspective, CFA Institute members weighed in on the impact of the COVID-19 pandemic on financial markets and the investment industry, including on recovery, equities, and volatility. This second global survey of its membership and 2021 report, [COVID-19, One Year Later—Capital Markets Entering Uncharted Waters](#), are a follow-up to the analysis of member views reported in 2020.

Economic divisions: In the new survey, most respondents predicted a K-shaped recovery, indicating a globally divergent recovery, in which one segment of the economy begins to climb back upward while other segments stagnate. This marks a significant shift from the “hockey stick-shaped” recovery identified last year when nearly 75% of respondents indicated a slow upturn in the short term, before picking up in the medium term. Members expressed concern about the risk of the recovery taking different forms and the different degrees of momentum around the world, varying across industries and workforces.

Equities out of sync: The new member survey also suggested that the equities market has not been in line with the real economy since the start of the pandemic. The survey found that 45% of respondents expressed the view that equities in their respective markets have recovered too quickly and that they expect a correction within the next one to three years. Market volatility appears to be a lesser issue in 2021 compared with a year ago. While 26% of members surveyed reported that market volatility had forced their firm to reconsider asset allocation choices in April 2020, only 18% responded in the same way in March 2021.

Unique insights: According to Margaret Franklin, president and CEO of CFA Institute, “In a post-pandemic world—one that is only starting to emerge—the views of CFA® charterholders provide meaningful and actionable insights on current market, regulatory and economic developments, rooted in professionalism and high standards for capital markets integrity.”



INVESTOR PROTECTION

CFA INSTITUTE TESTIFIES TO CONGRESS ON SPACS

Congressional testimony: At a 24 May [hearing](#) of the US House Committee on Financial Services on Special Purpose Acquisition Company (SPAC), CFA Institute raised concerns about investor protection and market integrity. In his [testimony](#), Stephen Deane, advocacy senior director at CFA Institute, stated, “SPACs have displayed a clear pattern of winners and losers. Big investors—the SPAC sponsor, the hedge funds and others who invest in the IPO, and investors in the PIPE [private investment in public equity]—generally do very well. Retail investors—who often buy their shares at the time of the merger announcement and hold them into the post-merger period—generally do poorly.” A SPAC is a publicly listed shell company set up to find a private operating company, merge with the target, and thereby take it public, bypassing the traditional IPO process.

Important protection for investors and market integrity: Deane urged Congress to focus on SPAC design features that could explain poor median returns to ordinary shareholders, beginning with dilution and misaligned incentives. In addition, public disclosures are murky on side deals that SPAC sponsors often make with private investors in transactions called PIPEs. Finally, SPAC mergers, unlike traditional IPOs, enjoy a safe harbor for forward-looking statements, which create an unlevel playing field, even though both types of transactions take a company public.

Media coverage: This testimony was reported in the [New York Times](#), [Thomson Reuters](#), and other media outlets.

MARKET INTEGRITY & TRANSPARENCY

SWEEPING CHANGES AT PCAOB SIGNAL NEW DIRECTION

Abrupt changes at the Public Company Accounting Oversight Board (PCAOB): In a surprising move, the SEC announced on 4 June that it had removed William Duhnke, chair of the PCAOB, the US regulator of public company auditors, and that it would seek to replace the other four board members. According to the SEC, these actions would “set (the PCAOB) on a path to better protect investors by ensuring that public company audits are informative, accurate, and independent.”

Ongoing concerns: These significant changes come after growing criticism during Duhnke’s tenure, which began in December 2017, including multiple complaints and letters calling for reform. Some investors and investor advocates had become concerned about Duhnke’s leadership and the course of the PCAOB with its relaxation of auditor independence requirements and lack of outside independent voices. According to the *Wall Street Journal*, Duhnke is also being investigated by the SEC for potential violations of rules in the handling of internal complaints.

Investor input: CFA Institute had become concerned about recent actions by the audit regulator that narrowed investor representation and input on its advisory groups. In March, the board voted unanimously to dissolve its advisory groups, including ending meetings of its Investor Advisory Group and Standing Advisory Group, while forming a new group that would no longer allow investor-organizations, such as CFA Institute, to participate.

MARKET INTEGRITY & TRANSPARENCY

SEEKING BETTER TRANSPARENCY FOR ESG INVESTING

ESG standards draft: In an effort to increase transparency and comparability of ESG investment products, CFA Institute has published an [exposure draft](#) of its forthcoming voluntary, global ESG Disclosure Standards for Investment Products (the Standards). This draft is an initial version of the Standards and seeks to elicit feedback on the Standards’ proposed principles, requirements, and recommendations.

Need for clarity: Setting industry standards is integral to the mission of CFA Institute to promote the highest standards of ethics, education, and professional excellence in the global investment industry. As interest in investment products with ESG features has grown exponentially, so too has the need for consistency and clarity in definitions, terms, and understanding. As stated in our November 2020 [consultation paper](#), the purpose of the Standards is to provide greater transparency and comparability for investors by enabling asset managers to clearly communicate the ESG-related features of their investment products. The Standards will establish fundamental requirements and disclosure requirements for investment products with ESG-related features, procedures for independent examination of disclosures, and a classification of ESG-related features by ESG-related needs.

Unique focus: Paul Andrews, managing director of research, advocacy, and standards at CFA Institute, said: “What sets the Standards apart from others is that they are suitable for all types of investment vehicles, all asset classes, all ESG strategies, and all markets. They harmonize many of the product-level ESG disclosure requirements found in existing regulations and other more narrowly focused voluntary standards, as well as address gaps where no standards exist. The Standards will become the first global standards for product-level ESG disclosures.”

Seeking input: CFA Institute is seeking input from the wider investment community to help shape the final version of the ESG Disclosure Standards for Investment Products scheduled for release in November 2021. [Comments](#) should be provided in the designated response form and submitted to standards@cfainstitute.org.



ADVOCACY ENGAGEMENT & ACTIVITIES

A NEW GUIDE TO SHAREHOLDER MEETINGS IN INDIA



Updated Guide: CFA Institute and the CFA Society India have published the second edition of “[An Investor’s Guide to Shareholder Meetings in India: Rights, Rules, and Responsibilities](#).” The guide serves as a reference for shareholders, helping them to better understand the nature of shareholder meetings and resolutions. The publication covers best practices for conducting shareholder meetings and provides an overview of types of shareholder resolutions to foster better preparation and engagement.

Promoting investor education and good corporate governance: Effective shareholder engagement is one of the cornerstones of good corporate governance. Annual general and special meetings provide shareholders with opportunities to convey their views about the governance, stewardship, and direction of their companies. Investors need to be well informed about their rights and responsibilities to exercise them effectively.

Launch event: The guide was launched during a virtual, well-attended event organized by CFA Institute and CFA Society India on 25 May, with the keynote speech delivered by Amarjeet Singh, executive director of the Securities and Exchange Board of India.

MARKET INTEGRITY & TRANSPARENCY

SEC ANNOUNCES AN AMBITIOUS (AND FAMILIAR) REGULATORY AGENDA

SEC top issues in sync with CFA Institute priorities: On 11 June, the SEC [announced](#) its spring 2021 short- and long-term regulatory agenda, covering a wide array of market issues. Overall, CFA Institute is pleased that much of the SEC agenda aligns with our own [Top 10 Advocacy Policy Issues for 2021](#).

Key issues: The proposed SEC regulatory areas include (1) ESG corporate disclosure related to climate risk and human capital, including workforce diversity, corporate board diversity, and cybersecurity risk, and ESG fund rules; (2) modernization of equity, treasury, and fixed-income market structures; (3) transparency related to stock buybacks, short sales, securities-based swaps ownership, and the stock loan market, and gamification; (4) examination of corporate insider trading rules; (5) special purpose acquisition companies (SPACs); and (6) unfinished Dodd–Frank-directed work, including securities-based swaps and incentive-based compensation arrangements.

Reconsidering rules: Significantly, a series of rules finalized under former SEC Chair Jay Clayton—all less than a year old—are back on the regulatory agenda for a revisit by the current Chair Gary Gensler–led Commission. These rules include the widely opposed (by CFA Institute and others) regulatory changes concerning proxy voting advice; amendments to the shareholder proposal rule; resource extraction payments; exemptive overrings (accredited investor definition, amendments related to the integration framework for registered and exempt offerings); and the Commission's whistleblower program rules.

Promoting investor voices: CFA Institute will be actively tracking and influencing the SEC agenda to protect investors and advance our top advocacy issues.

ADVOCACY IN ACTION

MEDIA ATTENTION

[NASDAQ](#) (17 June), CFA Institute Senior Director Stephen Deane urged the SEC to restore its Division of Economic and Risk Analysis, providing an impartial and complete economic analysis.

[Daily Finance](#) (17 June) cited CFA Institute reporting on ESG as a latest trend for retail investors in 2021.

[Techcratic](#) and [The Financial](#) (10 June) reported on a CFA Institute survey indicating a surge in popularity of ESG investments.

[Refinitiv Perspectives](#) (10 June) covered a CFA Institute study stating artificial intelligence will continue to become more widespread in asset management.

[AdvisorAnalyst](#) (9 June), Matt Orsagh, senior director of Capital Markets Policy at CFA Institute, discussed some of the highlights of the Alpha Summit on ESG and sustainable investing.

[Europa Press](#) (ESP), [RankiaPro](#) (ESP), and [Funds People](#) (ESP) (9 June) reported on the recent CFA Institute survey indicating that members think the stock markets have recovered too quickly.

[Hong Kong Economic Journal](#) (8 June) reported on the efforts of CFA Institute to protect investors as SPAC surge continues.

[China Times](#) (TWN) (8 June) reported on a CFA Institute study about ESG becoming a key new investment trend in mainland China.

[The Financial Times](#) (7 June) quoted Sir Paul Tucker, chair of the Systemic Risk Council, on the effect of climate change on financial stability.

[The Globe and Mail](#) (CAN) (3 June) covered CFA Institute efforts on global ESG standards.

[MarketWatch](#) (2 June) quoted CFA Institute Managing Director Kurt Schacht on President Biden's inadequate SEC budget request.

[Family Wealth Report](#) (2 June); [Yahoo! Finance](#), [Investment Week](#), and [Funds Europe](#) (1 June) covered the CFA Institute survey predicting an expected fast recovery of the equities market.

[Mint](#) (2 June), Vidhu Shekhar, country head for India at CFA Institute, with Sivananth Ramachandran, director of capital markets policy for India at CFA Institute, published an opinion piece in India's financial daily newspaper focusing on the Yes Bank mis-selling case, the ethical issues involved, and potential regulatory and industry interventions to prevent its recurrence.

[Human Resources Online](#) (3 June) [FundFire](#) (1 June), [Hubbis](#) (28 May), [Gulf News](#) (27 May), [Pensions & Investments](#) (26 May), and [Investment Executive](#) (CAN) (26 May) reported on the CFA Institute study that examined how work environments will change post-pandemic.

[Lexology](#) (1 June), [Thomson Reuters](#) (26 May), [Crowdfund Insider](#) (25 May), [New York Times](#) (24 May), [Axios](#) (24 May), [Yahoo! News](#) (24 May), and [Financial Advisor Magazine](#) (24 May) reported on CFA Institute participation in the US Congress hearing about SPACs.

[Trade Arabia](#) (BHR), [Zawye](#) (ARE), and [Oman Daily Observer](#) (31 May) covered the CFA Institute study indicating members expect a K-shaped recovery.

[Asia Fund Managers](#) (31 May) covered a CFA Institute report on the rise of ESG integration in the Asia-Pacific region.

[NASDAQ](#) (21 May), CFA Institute Senior Director Stephen Deane called for a rewrite of SEC disclosure rules for mutual funds and exchange-traded funds.

[Pensions & Investments](#) and [Investment News](#) (20 May) covered the US Senators proposed bill, which is supported by CFA Institute, to clarify ESG responsibilities under Employee Retirement Income Security Act (ERISA),

[US Senate](#) (20 May) quoted Kurt Schacht, advocacy policy director at CFA Institute, in a press release announcing a bill, saying, "CFA Institute is pleased to support the Financial Factors in Selecting Retirement Plan Investments Act."

[Sing Tao Daily](#) (HKG), [Bastille Post](#) and [Finet](#) (18 May); [On](#) (HKG) and [Yahoo! Finance](#) (HKG) (17 May) reported that CFA Institute has established a SPAC working group to consider how best to protect investors and promote market integrity.

ADVOCACY IN ACTION

EVENTS & ACTIVITIES

Meeting with China’s Institute of Finance and Sustainability (19 May): CFA Institute had a meeting with Dr. Ma Jun, chair of the Green Finance Committee of China (GFC), co-chair of the G–20 Sustainable Finance Study Group, and founder and president of the Institute of Finance and Sustainability (IFS). The objective of the discussion was to explore collaboration opportunities in the G–20 Sustainable Finance Study Group initiatives and research projects in China, which is an important market for CFA Institute.

CFA Institute was represented by Margaret Franklin, president and CEO; Lutfey Siddiqi, managing director of regions and society relations; Paul Andrews, managing director of research, advocacy, and standards; Nick Pollard, managing director for APAC; David Zhang, country head for China; Mary Leung, head of advocacy for Asia Pacific; and Iris Wu, director of institutional relations for China. In addition to Dr. Ma, the IFS was represented by Liu Jialong, director of ESG Research Center; Cheng Lin, director of international business; and Wu Gongzhao, ESG Research Center.

Building on the previous collaboration with the CFA Institute China Office, GFC, and IFS, CFA Institute sees opportunities for a long-term partnership with GFC and IFS on sustainability reporting, disclosure, and capacity building in China and the region. Possible joint initiatives may include leveraging our ESG research through a series of events and seminars and adapting our ESG certificate to be offered in China.

CFA Institute believes that integration of material ESG factors is an important component of a complete and thorough financial analysis for all asset classes. We support development of ESG knowledge and skills among investment professionals in all markets, to facilitate embedding ESG thinking in all investment settings. China’s large and fast-developing financial industry presents significant opportunities for ESG education and capacity building.

International Financial Reporting Standards (IFRS) Foundation Virtual Conference (4 June): Mohini Singh, director of financial reporting policy spoke at the IFRS Foundation conference on digital reporting. With the recent rollout of the European Single Electronic Format (ESEF), Singh spoke of the XBRL implementation issues faced in the United States, the repetition of some of the same mistakes found in the early ESEF filings, and lessons to be learned. She also reinforced our support for the International Sustainability Standards Board (ISSB) and its focus on enterprise value and on the information needs of investors. She added that the ISSB needed to develop a sustainability taxonomy that should be interoperable with multistakeholder communication platforms.

ESG Capacity Building and Professional Learning Events: ESG remains a major focus of the CFA Institute APAC advocacy team’s activity in the region. (25 May) Mary Leung moderated a panel discussion during the webinar, “[ESG Integration in Sovereign Bonds](#),” part of a series of webinars organized in collaboration with Fitch Ratings. (27 May) Piotr Zembrowski, manager of advocacy research and content for Asia Pacific, moderated a panel discussion during the webinar “[Financial Performance of Impact Investments](#),” which was organized in collaboration with the Global Impact Investing Network. (9 June) Mary Leung was a speaker during the webinar “ESG and Sustainability: The International Policies and Reporting Frameworks That Investors Cannot Ignore,” which was organized in collaboration with MSCI, Inc.