SEC Adopts Form N-PX Changes: 4 Things to Know

Last week, the SEC **adopted** changes to Form N-PX in an effort to make the proxy voting by mutual funds, exchange-traded funds, and other registered funds more transparent. The new rules become effective for votes occurring on or after July 1, 2023—so they won't be reflected in N-PX filings until 2024. Here's the SEC's **fact sheet**—and the **169-page adopting release**. While the rule amendments are cast primarily as benefiting fund investors by providing more and clearer information about how funds vote on topics of interest, they will also provide companies with better information.

Here are four things to know:

1. Form N-PXs Will Be Much Easier to Read. The big knock on N-PX filings has been how difficult they can be to navigate. Once these rule changes kick in for the filings made in 2024, they should be much more manageable as filers will be required to categorize each matter by type (across 14 types specified in the rule). And if a proxy card is available, filers will be required to tie the description and order of voting matters to what's listed on the proxy card.

2. XBRL Also Will Facilitate Navigability. Given that the new rule changes will also require the use of structured data language, the resulting ability to apply machine learning to these often-dense filings will make them easier to analyze.

3. Say-on-Pay Will Now Be Reported Upon. As mandated by Dodd-Frank back in 2010, the rule changes will require filers to indicate how they voted upon say-on-pay for their portfolio companies. However, this disclosure is required only when the manager *exercised* voting power.

4. Transparency of Number of Votes Cast and Securities Lending. Filers will be required to disclose the number of shares that were voted or instructed to be voted, including, the number voted in each manner if the votes were cast in multiple manners (e.g., both for and against). In addition, filers must disclose the number of shares loaned and not recalled (and thus not voted), which should provide context to understand how securities lending activities could affect a filer's voting practices.

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