



SEC Chairman Presents Corporate Governance Agenda

On April 6, 2009, Mary L. Schapiro, Chairman of the U.S. Securities and Exchange Commission, presented the SEC's upcoming regulatory agenda in a speech to the Council of Institutional Investors.¹ Chairman Schapiro noted in her opening remarks that the SEC remains the only federal agency dedicated to looking out for investors, and that there has been "no time in history that investors have been more in need of an advocate than today." Her plans for ensuring that the SEC is a strong and effective advocate for investors will involve many new rules for public companies. The following is a brief overview of the more significant agenda items of particular concern to public companies:

- **Proxy Access.** In May 2009, the SEC will consider a proxy access proposal to ensure that stockholders have an opportunity to nominate directors. As part of this proposal, the SEC will consider the 2003 and 2007 SEC proxy access proposals with "fresh eyes" and the recently proposed Delaware corporate law changes facilitating proxy access.
- **Enhanced Director Disclosures.** In June 2009, the SEC will consider whether to propose rules requiring enhanced disclosure about the experience, qualifications and skills of director nominees in order to make sure that stockholders "have the information needed to make sound proxy voting decisions."

The SEC will also consider whether boards should disclose to stockholders the reasons for selecting a particular leadership structure, such as an independent chair, a non-independent chair or a combined CEO/chair. This follows on the recent endorsement by the Chairmen's Forum, a peer organization of independent chairmen of corporate boards convened by the Yale School of Management, to separate the roles of CEO and chairman of the board.

- **Risk Management Disclosures.** At Chairman Schapiro's direction, the SEC is currently developing proposals to enhance disclosure requirements with respect to how a company and its board of directors manage risks, both generally and in the context of compensation.
- **Executive Compensation Disclosures.** The SEC will consider new rules relating to compensation. The rules would be directed at making sure that stockholders fully understand how compensation structures and practices drive an executive's risk taking. In addition, the SEC will consider whether greater disclosure is needed about a company's overall compensation approach — beyond decisions with respect to the highest paid officers — as well as enhanced disclosure about compensation consultant conflicts of interest.

These and the other agenda items outlined in Chairman Schapiro's speech are ambitious and aimed at protecting the interests of investors. In the wake of the current economic crisis and the investor-focused agenda of the SEC and Congress, public companies should anticipate a strong push to implement these agenda items in the foreseeable future.

¹ A copy of the speech is available at <http://www.sec.gov/news/speech/2009/spch040609mls.htm>.

Meet The Author

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