

House File 2196 - Introduced

HOUSE FILE 2196
BY WILLS

A BILL FOR

- 1 An Act relating to proxy advisors and proxy advisory services,
- 2 and including applicability provisions.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. NEW SECTION. **545.1 Definitions.**

2 As used in this section, unless the context otherwise
3 requires:

4 1. "Company" means a publicly traded, for-profit corporation,
5 limited liability company, partnership, or other business entity
6 that is organized under the laws of this state and that maintains
7 its principal place of business in this state. "Company"
8 includes a foreign entity that has made a company proposal to
9 become a domestic entity by merger, conversion, or other means.

10 2. "Company proposal" means a proposal by a company to the
11 company's shareholders that is included in the company's proxy
12 statement and includes but is not limited to a proposal related
13 to director nominations or elections, executive compensation,
14 corporate transactions, corporate structure, auditor selection,
15 or company policy.

16 3. "Default recommendation" means a system, set of rules,
17 principles, or guidelines to assist shareholders with voting
18 decisions on a company proposal or proxy proposal.

19 4. "Financial analysis" means a written document that does
20 all of the following:

21 a. Analyzes the expected short-term and long-term financial
22 benefits and costs to a company of implementing a company
23 proposal or proxy proposal.

24 b. Reaches a conclusion as to what vote or course of action
25 may positively affect shareholder value.

26 c. Explains the methods and processes used to prepare the
27 financial analysis, including the experience and geographic
28 location of the personnel who prepared the analysis.

29 5. "Proxy advisor" means a person who, for compensation,
30 provides a proxy advisory service to shareholders or to other
31 persons with the authority to vote on behalf of shareholders.

32 6. "Proxy advisory service" means any of the following
33 services that are provided by a proxy advisor in connection with,
34 or in relation to, a company, or are provided to any person in
35 the state:

1 a. Advice or recommendations on how to vote on a company
2 proposal or proxy proposal.

3 b. Research and analysis regarding a company proposal or
4 proxy proposal.

5 c. Development of proxy voting recommendations or policies,
6 including but not limited to default recommendations.

7 7. "Proxy proposal" means a proposal made by a shareholder of
8 a company that is included in the company's proxy statement and
9 includes but is not limited to a proposal related to director
10 nominations or elections, executive compensation, corporate
11 transactions, corporate structure, auditor selection, or company
12 policy.

13 8. "Shareholder" means a shareholder, unitholder, limited
14 partner, or other equity owner of a company.

15 Sec. 2. NEW SECTION. **545.2 Proxy advisor services —**
16 **enforcement.**

17 1. If a proxy advisor provides a proxy advisory service to
18 a shareholder or other person with authority to vote on behalf
19 of the shareholder, or makes a default recommendation against
20 company management on a company proposal or proxy proposal,
21 and the proxy advisory service or default recommendation is
22 not based on a financial analysis, the proxy advisor shall,
23 concurrently with providing the proxy advisory service or default
24 recommendation, do all of the following:

25 a. Provide a clear disclosure to each shareholder or other
26 person with authority to vote on behalf of a shareholder that
27 does all of the following:

28 (1) Identifies the specific proxy advisory service being
29 provided.

30 (2) Identifies the recommendation or policy at issue.

31 (3) States that the proxy advisory service or default
32 recommendation is not based on a financial analysis.

33 b. Except for a proxy advisory service that provides voting
34 recommendations or policies, or a default recommendation, provide
35 the disclosure under paragraph "a" to the board of directors of

1 each company that is the subject of the proxy advisory service.

2 c. Conspicuously post on the home page of the proxy advisor's
3 internet site a statement that the proxy advisor's proxy advisory
4 services include one or more proxy advisory services that involve
5 recommendations or policies against company management on company
6 proposals or proxy proposals that are not based on a financial
7 analysis.

8 2. If a proxy advisor provides a proxy advisory service to
9 a shareholder or other person with authority to vote on behalf
10 of the shareholder, or makes a default recommendation against
11 company management on a company proposal or proxy proposal, and
12 the proxy advisory service or default recommendation is based on
13 a financial analysis, the proxy advisor shall, concurrently with
14 providing the proxy advisory service or default recommendation,
15 do all of the following:

16 a. Provide a clear disclosure to each shareholder or other
17 person with authority to vote on behalf of a shareholder that
18 does all of the following:

19 (1) Identifies the specific proxy advisory service being
20 provided.

21 (2) Identifies the default recommendation at issue.

22 (3) States that the proxy advisory service or default
23 recommendation is based on a financial analysis.

24 (4) States that the financial analysis is available upon
25 request.

26 b. Make the financial analysis available within a reasonable
27 time to any client of the proxy advisory service upon request.

28 c. Provide a copy of the financial analysis to the board
29 of directors of each company that is the subject of the proxy
30 advisory service. This paragraph shall not apply to a proxy
31 advisory service that provides proxy voting recommendations or
32 policies, or a default recommendation.

33 3. A violation of this section is an unlawful practice under
34 section 714.16.

35 4. An action may be brought in district court to enjoin a

1 If the service or default recommendation is not based on
2 a financial analysis, the advisor shall, concurrently with
3 providing the service or default recommendation: (1) provide a
4 disclosure to each shareholder or person with authority to vote
5 on behalf of a shareholder that meets the requirements of the
6 bill; (2) provide the same disclosure to the board of directors
7 of each company that is the subject of the service, except
8 where the service provides voting recommendations, policies, or
9 default recommendations; and (3) post on the advisor's internet
10 site a statement that the advisor's services include one or more
11 services that involve recommendations or policies against company
12 management on company proposals or proxy proposals that are not
13 based on a financial analysis.

14 If the service or default recommendation is based on
15 a financial analysis, the advisor shall, concurrently with
16 providing the service: (1) provide a disclosure to each
17 shareholder or person with authority to vote on behalf of
18 a shareholder that meets the requirements of the bill; (2)
19 upon request, make the financial analysis available within a
20 reasonable time to any client of the service; and (3) provide the
21 financial analysis to the board of directors of each company that
22 is the subject of the service, except for services that provide
23 voting recommendations, policies, or default recommendations.

24 A violation of the bill is an unlawful practice under Code
25 section 714.16.

26 An individual, a company, or a shareholder of a company that
27 received a service provided by an advisor that violated the bill
28 may bring an action in district court to enjoin the advisor's
29 violation. The party bringing such action shall provide written
30 notice of the action to the attorney general no later than
31 seven calendar days after the date the action is filed, and the
32 attorney general may intervene in any such action for injunctive
33 relief.

34 The bill applies to a service or a default recommendation
35 provided by an advisor on or after July 1, 2026.