

# SEC Moves to Require That Corporations Disclose All Political Spending

TruthOut

By [Public Citizen](#)

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The [Corporate Reform Coalition](#) applauds the Securities and Exchange Commission's (SEC) commitment to seek disclosure of all corporate political spending in response to a historic demonstration of investor demand for such a rule-making.

In one of the last actions of departing SEC Chair Mary Schapiro's term, the agency announced that it will consider a proposed rule to require that public companies provide disclosure to shareholders regarding the use of corporate resources for political activities. A petition requesting this rulemaking was filed in 2011 by a bipartisan committee of leading law professors.

In a telephone press conference today, coalition members urged the agency to move swiftly on the rule, now that it is on the agenda.

The SEC has a responsibility to protect investors by regulating the securities markets to ensure that they have the information they need to make investment decisions. Shareholders have a right to know how the companies in their investment portfolio are spending their invested money, especially where these actions are outside the scope of normal business activities, or where the interests of shareholders and management may diverge. This is particularly true with corporate political spending, where certain choices may diverge from a company's stated values or policies, or may endanger the company's brand by embroiling it in hot-button issues.

By putting this rule on its agenda, the SEC has responded in part to the Supreme Court's ruling in *Citizens United v. Federal Election Commission*, which struck down laws restricting non-coordinated corporate spending to influence elections. In *Citizens United*, Justice Anthony Kennedy emphasized the importance of disclosure and accountability for corporate political spending, writing that disclosure requirements "provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters."

Unfortunately, the current public reporting regime does not actually require disclosure of all relevant sources of corporate political spending, and post-*Citizens United* secret corporate political spending has been on the rise. Corporate funds are frequently funneled through third-party groups such as the U.S. Chamber of Commerce, which refuse to disclose the underlying donors who provide the financial resources for their political activities. The Chamber of Commerce was the single largest outside spender in the 2010 elections, and spent more than \$36 million on the 2012 elections.

Americans across the political spectrum strongly support requiring transparency and accountability in corporate political spending. A record number of public comments – more than 322,940 and counting – have been filed with the SEC in support of the petition requesting a rule

requiring disclosure of corporate political spending. [These comments](#) have come from such diverse sources as a large group of firms managing more than \$690 billion in assets, the Maryland State Retirement Agency, U.S. Rep. Gary Ackerman (D-N.Y.) and 42 other members of the House, Sen. Robert Menendez (D-N.J.) and 12 other senators, John Bogle (former CEO of the Vanguard Group), five state treasurers, US SIF: The Forum for Sustainable and Responsible Investment, the Sustainable Investments Institute, and many more.

In [a recent poll](#), eight out of 10 Americans (81%) believe that corporations should only spend money on political campaigns if they disclose their spending immediately (including 77 percent of Republicans and 88 percent of Democrats). Eighty-six percent of Americans agree that prompt disclosure of political spending would help voters, customers, and shareholders hold companies accountable for political behavior (support ranged from 83 percent to 92 percent across all political subgroups). Eighty one percent of Americans agree that the secret flow of corporate political spending is bad for democracy, and 84 percent agree that corporate political spending drowns out the voices of average Americans. Seventy-five percent of respondents said they would sign a petition to the SEC in support of corporate disclosure.

Public Citizen, Demos, CREDO Action, Coalition for Accountability in Political Spending, Common Cause, New Progressive Alliance, Walden Asset Management, Natural Investments LLC, Responsible Endowments Coalition, U.S. Public Interest Research Group, The New School Advisory Committee on Investor Responsibility, the Campaign Legal Center, Green Century Capital Management, Krull and Company, Colorado Sustainable Financial Planning, Effective Assets™, Alliance for a Just Society, Main Street Alliance, Corporate Ethics International/Business Ethics Network, the AFL-CIO, Friends of the Earth, Democracy 21, Sunlight Foundation, Pax World Mutual Funds, Domini Social Investments LLC, Public Campaign, Citizen Works, NorthStar Asset Management, Inc., the Communications Workers of America, the American Sustainable Business Council, AFSCME, Trillium Asset Management LLC, CREW, Zevin Asset Management, CTW Investment Group, Coffee Party USA, the Social Equity Group, People For the American Way, the League of Conservation Voters, and US SIF: The Forum for Sustainable and Responsible Investment participate in the Corporate Reform Coalition working to increase transparency and accountability for corporate political spending.

#### **QUOTES FROM KEY PLAYERS:**

“We congratulate the SEC for listening to investors and the public, in moving forward on a rule that would require publicly traded companies to disclose their political spending. For Mary Schapiro it is an important legacy, and we ask the incoming chair to move the rule forward to completion this year,” said Lisa Gilbert, Director of Public Citizen’s Congress Watch

“I am delighted that the SEC is carefully considering our petition and the research that convinced us that investors should be given the information they need to assess whether and how their money is spent on politics, said Robert Jackson, law professor at Columbia University and one of the original petition filers. “I hope the SEC will propose rules that will shine light on corporate political spending this year.”

“I am delighted that the Division of Corporation Finance will be considering this year whether to recommend that the SEC issue a proposed rule for corporate political spending as our rulemaking petition urged,” said Lucian Bebchuk, Director of the Program on Corporate Governance at

Harvard law School who co-chaired the committee on disclosure of political spending. “The case for such a rule is strong, and the rulemaking petition has attracted exceptional levels of support from the record number of comments filed with the SEC. We very much appreciate the contribution of the Coalition to encouraging the submission of comments to the file.”

“The SEC has taken a step in the right direction by putting disclosure of corporate political spending on its agenda and we will hold them to this promise. We cannot continue to keep our nation's pension funds and investors in the dark about the use of corporate treasury dollars in elections. I urge the incoming SEC Commissioners to act quickly to enact these new rules on disclosure,” said Public Advocate Bill de Blasio, trustee of the New York City Employee Retirement System and founder of the Coalition for Accountability in Political Spending (CAPS).

“Undisclosed corporate political spending is a risk factor for investors, and now, with the SEC’s willingness to consider a disclosure rule, investors will have a fighting chance to ensure that such spending is only made in their interests,” said Brandon Rees, Acting Director of the AFL-CIO Office of Investment.

“The SEC should be commended for taking this first concrete step to prevent further secret corporate political spending. Our democratic system of self-government works when we are all political equals. If corporate managers choose to spend money to influence elections, they must do so transparently so they can be held accountable for their positions” said Liz Kennedy, Counsel at Demos.

“Over 150,000 CREDO members took time out of their busy schedules to submit a public comment to the SEC to help end the corrosive flood of anonymous corporate money into our political system. People care deeply about this -- it's not just a wonky regulatory issue -- and it's a small but important first step toward undoing the damaging impact of *Citizens United* and restoring a measure of sanity to our political system,” said Becky Bond, Political Director of CREDO Action.

“We are pleased that we are one step closer to ending the days where public corporations can secretly give to political campaigns without any accountability to the public or their shareholders,” said Bob Edgar, President of Common Cause.

“Fortunately, the SEC is reasserting its historical role as the guardian of market integrity in the face of increasing corporate money in politics. This new rule making follows in the footsteps of the SEC’s investigations post-Watergate that uncovered illegal corporate political spending, and the SEC’s recent rules addressing pay to play in the municipal bond market and pay to play for investment advisors to public pension funds,” added Assistant Professor of Law at Stetson University College of Law Ciara Torres-Spelliscy.

“We are heartened that the SEC has taken a step in the right direction in addressing one of the most pressing issues facing our country: anonymous corporate money in our democracy,” said Marge Baker, Executive Vice President of People For the American Way. “Poll after poll shows that this is an issue about which Americans care deeply. Without increased transparency, accountability, and a new approach to addressing corporate political spending, wealthy special interests will continue to undermine our democracy.”

“Full disclosure of all political spending is the only way in which shareholders can evaluate risk. Corporate spending for political purposes should be focused solely on creating shareholder value and should be done in a completely transparent manner. I applaud the SEC for taking up the petition to mandate disclosure of political spending and urge them to protect shareholder rights by ruling in favor of more transparency,” said New York State Comptroller Thomas P. DiNapoli, trustee of the \$150.1 billion New York State Common Retirement Fund.

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*[Public Citizen](#) is a national, nonprofit consumer advocacy organization that has worked to protect health, safety and democracy since 1971.*