SEC Urged To Make Companies List Political Spending

Reuters
By Karey Wutkowski
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A group of securities law experts are pushing for federal regulations forcing companies to reveal how much they spend on political activities.

The 10 professors have formally petitioned the U.S. Securities and Exchange Commission to quickly write rules requiring regular disclosures to shareholders.

They said the issue has gained importance because of the U.S. Supreme Court's "Citizens United" ruling in 2010 that found independent expenditures by corporations do not give rise to the appearance of corruption and are constitutional.

The court decision said companies involved in political activities could be held accountable by their shareholders.

"For this mechanism to work, however, shareholders must have information about the company's political speech," the professors said in their letter to the SEC.

The group of academics includes Lucian Bebchuk from Harvard Law School; John Coffee from Columbia Law School; James Cox from Duke Law School; Robert Jackson, Jr. from Columbia Law School; and Donald Langevoort from Georgetown Law School.

The SEC does not currently require public companies to give detailed information on corporate spending on politics, unless the spending is considered "material."

Instead, interested parties have to comb through a maze of incomplete disclosures given to federal, state and local government agencies, or rely upon companies to self disclose.

In their letter, the professors said about 60 percent of companies in the S&P 100 have adopted political spending disclosure policies.

SEC spokesman John Nester said the agency declines comment on rulemaking petitions.

Campaign fundraising is ramping up for the 2012 presidential race, with corporations expected to play a big role due to the Citizens United ruling.

It is unclear how quickly the SEC would or could draft such a rule. The SEC is under the gun to finalize dozens of rules called for in last year's Dodd-Frank financial oversight law. They also have prioritized freshening their market structure rules in the wake of the May 6, 2010, flash crash.

The professors said the SEC could use the design of existing disclosure rules, such as for executive compensation, when creating requirements for political spending disclosures.

They said the agency should consider an exception for "de minimis" corporate spending on politics.

Also, they warned highly frequent reporting would be disruptive and costly and instead recommended the SEC use the annual proxy-disclosure regime as the vehicle for political spending disclosures.