United States Senate
WASHINGTON, DC 20510

August 9, 2017

Dear Chair Clayton:

We write to urge the Securities and Exchange Commission (SEC) to initiate action to require companies to disclose to their shareholders how they use corporate resources for political activities. In addition, we write to express our continued support for the Petition for Rulemaking, File No. 4-637, Petition to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities, dated August 3, 2011 (the "Petition"), submitted by the Committee on Disclosure of Political Spending.

Over the last seven years, we have repeatedly asked the SEC in letters and during congressional hearings to make disclosure of corporate political spending a priority. As of January 20, 2017, this request took on renewed importance. In the face of a uniquely and unapologetically corporate-friendly administration eager to accede to the requests of chief executive officers, it is imperative that the SEC move swiftly to provide investors and the public with transparency about corporate political spending. Without this disclosure, executives will remain free to spend corporate funds to influence election and policy outcomes without any accountability or oversight.

The Supreme Court's 2010 decision in *Citizens United v. FEC* fundamentally changed our nation's campaign finance laws by allowing unlimited and unchecked corporate spending on campaign ads and various other political communications—a decision with which we fervently disagree. Notwithstanding our disagreement with the Court's holding, the decision clearly recognized the shareholder interest served by disclosure of political spending. Justice Kennedy wrote, "prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters. Shareholders can determine whether their corporation's political speech advances the corporation's interest in making profits."[1]

The lack of proper disclosure undermines the very campaign finance system envisioned by the Court. For seven long years, companies have had free rein to solidify their influence in politics and maximize their impact on elections. Investor demand for this information has greatly intensified as the magnitude of the problem and the potential for abuse has skyrocketed. The Petition, submitted by a group of leading corporate governance and securities law experts has attracted a record-breaking number of favorable comments – now 1.2 million and counting – including many investors. In the face of overwhelming support from investors, experts, and the public, the case for disclosure is clear, and we expect the SEC to act expeditiously to effectuate this important investor protection.

As you know, the Consolidated Appropriations Act, 2017 prohibits the Securities and Exchange Commission from utilizing fiscal year 2017 funds to finalize, issue, or implement a

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[1] *Citizens United v. Federal Election Com'n*, 558 U.S. 310, 370-371 (2010).

rule, regulation, or order regarding corporate political spending disclosures. We are actively working to ensure no such language is included in any fiscal year 2018 spending act. However, until such time as the appropriations language expires, it is our view that the SEC retains the authority to take important steps to prepare a rulemaking on this issue. Specifically, the SEC is able to discuss, investigate, or develop plans or possible proposals for a rule or regulation in relation to the disclosure of political contributions. As such, we expect the SEC to move forward with such plans, including, but not limited to, a public roundtable, and other actions to prepare a rule on the disclosure of political contributions.

As Chair of the SEC, your primary mandate is to protect investors. As you said in a speech last month, the SEC's "analysis starts and ends with the long-term interests of the Main Street investor."[2] We expect that you will treat this mandate with the seriousness it requires and that you will act promptly to promote transparency, accountability, and critical investor protections. Please provide a response no later than September 1, 2017.

Sincerely,

Robert Menendez

Jeffrey A. Merkley

Sherrod Brown

Chris Van Hollen

Kirsten E. Gillibrand

Tom Udall

Cory A. Booker

Dianne Feinstein

[2] Jay Clayton, SEC Chairman, Securities and Exchange Commission, Remarks at the Economic Club of New York (July 12, 2017), available at https://www.sec.gov/news/speech/remarks-economic-club-new-york.

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