

United States Senate

WASHINGTON, DC 20510

December 3, 2018

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Chairman Clayton:

I write to you today with concerns about staff legal bulletin 14J, published by your Division of Corporate Finance on October 23, 2018.¹ My legislation, the Financial Services Conflict of Interest Act, bans the payment of “golden parachutes” that are contingent upon the employee leaving for a post in the federal government. We should be cracking down on these government service golden parachutes, but this staff bulletin would make it easier for public companies to expand their use, and I ask you to rescind it.

In the bulletin, your staff write that the Division will allow companies to exclude shareholder proposals that seek to limit when senior executive officers may receive golden parachutes. Shareholders are increasingly using shareholder proposals to call on company managers to end the use of government service golden parachutes. By encouraging public companies to exclude these proposals, you are shutting out the important voices of shareholders seeking to slow the revolving door between Wall Street executives and the government agencies charged with regulating Wall Street. Weak oversight by regulators is widely accepted² as a primary cause of the 2008 crisis, which eliminated 8.8 million jobs, wiped out \$19.2 trillion in household wealth, and significantly harmed shareholder returns.

The bulletin allows exclusion of shareholder proposals when the applicability of the provision in question is broadly available to the whole workforce. It costs companies relatively little to extend government service golden parachute provisions to all employees who receive equity awards. In fact, it allows the company to potentially expand the number of former employees in the federal government, compounding the risk of a conflict of interest. Therefore, under your guidance, excluding shareholder proposals that seek to prohibit such payouts will be easy for companies.

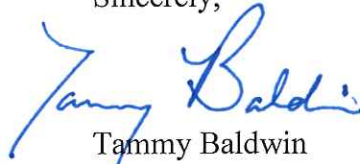
My Financial Services Conflict of Interest Act attempts to prevent new government officials—who should be working only for the public interest—from feeling beholden to their former employers. Under my legislation, government service golden parachutes would be illegal. The last thing we should be doing is making it easier for public companies to award these payments.

¹ Division of Corporate Finance, Securities and Exchange Commission. “Shareholder Proposals: Staff Legal Bulletin No. 14J”. October 23, 2018. <https://www.sec.gov/corpfin/staff-legal-bulletin-14j-shareholder-proposals>

² Financial Crisis Inquiry Commission. “The Financial Crisis Inquiry Report”. January 2011. <https://www.gpo.gov/fdsys/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf>

In closing, I again request that you rescind the bulletin as it provides public companies a mechanism to stifle shareholder efforts to curb the risks of conflicts of interest by prohibiting government service golden parachute payments at companies in which they are invested.

Sincerely,

A handwritten signature in blue ink that reads "Tammy Baldwin". The signature is written in a cursive style with a large, stylized initial "T".

Tammy Baldwin
U.S. Senator