Breaking views: Corporate political donors don't need SEC policing

Reynolds Holding, March 2, 2012

NEW YORK, March 2 (Reuters Breakingviews) - Corporate political donations don't really need policing on behalf of shareholders. As election-season spending soars, campaign finance largess from companies large and small has become a hot-button issue in the United States. The Securities and Exchange Commission is under heavy pressure to make firms disclose their contributions. But many already are, thanks to investor vigilance. A blanket rule would be an unnecessary venture into politics for the regulator.

The growing demand for disclosure stems from a 2010 Supreme Court decision that unleashed a flood of corporate money into politics. Congress took the first whack, but proposals requiring companies to report spending to the Federal Election Commission went nowhere. Activist shareholders swung into action, with 50 of the 465 proxy resolutions last year involving campaign disclosure. Most failed, though some companies like Time Warner and Merck voluntarily revealed contributions on their websites. Still, the call went out to the securities watchdog.

A uniform requirement may cause as many problems as it solves. Auditing, record-keeping and other rules that seem reasonable for larger companies could easily prove too expensive for smaller ones. Forcing firms to name the people who make the donation decisions, as some have opined, raises privacy issues. And merely demanding disclosure could violate a company's speech rights under the 2010 Supreme Court decision, exposing any regulation to a costly court challenge.

As SEC Chairman Mary Schapiro recently suggested, it may make sense just to let investors continue to decide whether and how a company reports its political spending. More than 100 shareholder resolutions on the subject will come up for a vote this proxy season. Their chances of success have increased following a shift by influential proxy adviser Institutional Shareholder Services to recommend voting in favor of virtually all such proposals. Even if they don't pass, investors will have had their say.

Required disclosure seems primarily designed to help those concerned with influencing elections. It's a matter best left to Congress and election watchdogs. For the SEC to get involved would seriously stretch the idea of investor protection.

CONTEXT NEWS

-- A report on the 2012 U.S. proxy season says investors have filed a record number of proposals requiring companies to disclose their political spending. The analysis, released on Feb. 28 by Sustainable Investments Institute and As You Sow, found 109 of them, more than twice as many as were filed last year.

-- Luis Aguilar, a commissioner of the Securities and Exchange Commission, on Feb. 24 called for the SEC to adopt rules that would make such disclosures mandatory.

(Reporting by Reynolds Holding, a Reuters Breakingviews columnist. The opinions expressed are his own.)