

Dear Ms. Countryman,

As a retail investor, I respectfully petition the Securities and Exchange Commission (“SEC”) pursuant to Rule 192 of the SEC’s Rules of Practice <sup>1</sup>, for rulemaking to amend Rule [14b-1](<https://www.law.cornell.edu/cfr/text/17/240.14b-1>) (17 CFR § 240.14b-1) and Rule [14b-2](<https://www.law.cornell.edu/cfr/text/17/240.14b-2>) (17 CFR § 240.14b-2) for obligations of registered brokers and dealers, banks, associations and other entities that exercise fiduciary powers in connection with communications to beneficial owners and providing beneficial owner information to registrants.

Under the SEC’s Rules of Practice, “[a]ny person desiring the issuance, amendment or repeal of a rule of general application may file a petition therefor with the Secretary” <sup>2</sup>(2) allowing anyone to petition for the amendment of any Commission rule. A petition must “contain the text or substance of any proposed rule or amendment or specify the rule or portion of a rule requested to be repealed” and “include a statement of their interest and/or reasons for requesting Commission action” <sup>3</sup>(3).

Regarding the text and substance of the amendment, I request that the SEC require providing registrants with the number of shares beneficially held by customers who are beneficial owners of the registrant’s securities per Rule [14b-1]([https://www.law.cornell.edu/cfr/text/17/240.14b-1\(b\)\(1\)\(i\)](https://www.law.cornell.edu/cfr/text/17/240.14b-1(b)(1)(i))) and Rule [14b-2]([https://www.law.cornell.edu/cfr/text/17/240.14b-2\(b\)\(1\)\(ii\)\(A\)](https://www.law.cornell.edu/cfr/text/17/240.14b-2(b)(1)(ii)(A))).

While the final language may be subject to review, comment, and modification, I’d like to propose the following change for Rule [14b-1]([https://www.law.cornell.edu/cfr/text/17/240.14b-1\(b\)\(1\)\(i\)](https://www.law.cornell.edu/cfr/text/17/240.14b-1(b)(1)(i))) with brackets “[ ]” to indicate additional text:

(i) The approximate number of customers of the broker or dealer who are beneficial owners of the registrant's securities that are held of record by the broker, dealer, or its nominee[, and the approximate number of shares beneficially held for said customers\];

While the final language may be subject to review, comment, and modification, I’d like to propose the following change for Rule [14b-2]([https://www.law.cornell.edu/cfr/text/17/240.14b-2\(b\)\(1\)\(ii\)\(A\)](https://www.law.cornell.edu/cfr/text/17/240.14b-2(b)(1)(ii)(A))) with brackets “[ ]” to indicate additional text:

(A) The approximate number of customers of the bank who are beneficial owners of the registrant's securities that are held of record by the bank or its nominee[, and the approximate number of shares beneficially held for said customers\];

The reason for requesting Commission action on this amendment is because, as a shareholder of beneficially owned shares in publicly traded companies, I’m concerned about potential dilution of my voting power where the “[One Share, One Vote]

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<sup>1</sup> [17 C.F.R. § 201.192(a)] (<https://www.law.cornell.edu/cfr/text/17/201.192>)

<sup>2</sup> [17 C.F.R. § 201.192(a)] (<https://www.law.cornell.edu/cfr/text/17/201.192>)

<sup>3</sup> [17 C.F.R. § 201.192(a)] (<https://www.law.cornell.edu/cfr/text/17/201.192>)

([https://en.wikipedia.org/wiki/One\\_share,\\_one\\_vote](https://en.wikipedia.org/wiki/One_share,_one_vote))”<sup>4</sup> standard may be an inaccurate presumption. As an example, SEC’s “[Concept Release On The U.S. Proxy System](<https://www.sec.gov/files/litigation/litreleases/2010/34-62495.pdf>)”<sup>5</sup> identifies several issues with the voting process including over-voting, under-voting, empty voting, and decoupling where “shareholder’s voting rights substantially exceed the shareholder’s economic interest in the company”. These issues have given rise to “new vote buying”, “hidden from public view and mostly untouched by current regulation” posing risks to corporate governance as “a vote holder can have a negative economic interest and, thus, an incentive to vote in ways that reduce the company’s share price”<sup>6</sup>.

Shareholders should rightfully be made aware of any potential dilution of their voting power. [Broadridge](<https://www.broadridge.com/>), a vote tabulator, adjusted away 7 billion votes with their Overvote Service according to their [2022 Proxy Season Key Stats and Performance]([https://www.broadridge.com/\\_assets/pdf/broadridge-proxy-season-stats-2022.pdf](https://www.broadridge.com/_assets/pdf/broadridge-proxy-season-stats-2022.pdf)).<sup>7</sup> This proposal to provide beneficial owner information to registrants, including the approximate number of shares beneficially held for their customers, allows a registrant to disseminate beneficial ownership information to shareholders regarding the total number of possible votes that may be received prior to adjustments that may disenfranchise voters, like myself.

As a simplistic example, if an issuer has 10M shares outstanding but 11M shares beneficially owned then my voting power has been diluted by 10%; potentially more depending on how vote adjustments are applied. Regardless of how there came to be more beneficially owned shares

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<sup>4</sup> See, e.g.,

[[https://en.wikipedia.org/wiki/One\\_share,\\_one\\_vote](https://en.wikipedia.org/wiki/One_share,_one_vote)]([https://en.wikipedia.org/wiki/One\\_share,\\_one\\_vote](https://en.wikipedia.org/wiki/One_share,_one_vote)), [<https://www.nasdaq.com/glossary/o/one-share-one-vote-rule>](<https://www.nasdaq.com/glossary/o/one-share-one-vote-rule>), and [[https://www.law.cornell.edu/wex/one-person\\_one\\_vote\\_rule](https://www.law.cornell.edu/wex/one-person_one_vote_rule)]([https://www.law.cornell.edu/wex/one-person\\_one\\_vote\\_rule](https://www.law.cornell.edu/wex/one-person_one_vote_rule)).

<sup>5</sup> “CONCEPT RELEASE ON THE U.S. PROXY SYSTEM” RIN 3235-AK43 \[Release Nos. [34-62495](<https://www.sec.gov/files/litigation/litreleases/2010/34-62495.pdf>); IA-3052; IC-29340; File No. S7-14-10\] by the Securities and Exchange Commission dated July 14, 2010

<sup>6</sup> Hu, Henry T. C. and Black, Bernard S., The New Vote Buying: Empty Voting and Hidden (Morphable) Ownership. As published in Southern California Law Review, Vol. 79, pp. 811-908, 2006, University of Texas Law, Law and Econ Research Paper No. 53, Available at SSRN: [<https://ssrn.com/abstract=904004>](<https://ssrn.com/abstract=904004>)

<sup>7</sup> Broadridge’s [2022 Proxy Season Key Stats and Performance]([https://www.broadridge.com/\\_assets/pdf/broadridge-proxy-season-stats-2022.pdf](https://www.broadridge.com/_assets/pdf/broadridge-proxy-season-stats-2022.pdf)) indicates 501.3 billion total shares processed “prior to use of the Overvote Service” and 494.3 billion total shares processed “after the Overvote Service is utilized”. Available at: [[https://www.broadridge.com/\\_assets/pdf/broadridge-proxy-season-stats-2022.pdf](https://www.broadridge.com/_assets/pdf/broadridge-proxy-season-stats-2022.pdf)]([https://www.broadridge.com/\\_assets/pdf/broadridge-proxy-season-stats-2022.pdf](https://www.broadridge.com/_assets/pdf/broadridge-proxy-season-stats-2022.pdf))

than available, shareholders like myself deserve transparency and should be made aware of our voting power dilution; especially because a vote tabulator may adjust shareholder votes in a manner that disenfranchises my votes. The mere existence and use of over voting adjustment services demonstrates the necessity for transparency so that market participants, specifically including beneficial shareholders, may understand the impact of voting power dilution.

This proposal to provide beneficial owner information to registrants also protects shareholders, like myself, from excessive dilution as registrants may also disseminate beneficial ownership information to regulatory agencies as necessary to help maintain fair, orderly, and efficient markets. Extreme cases of shareholder voting power dilution may even result in financial system instability and systemic risk where requiring disclosure promotes risk management and regulatory supervision.

Cost and complexity to implement are common objections from industry interests against disclosure and reporting requirements. Minimal cost impact and minimal complexity to implement this proposal are benefits of this proposal as the obligations under the current rules already require the relevant entities to determine the number of shares beneficially held by their customers. As this proposal only requires providing already known information to registrants alongside information already required to be provided to registrants (i.e., the number of customers who are beneficial owners), this proposal has minimal impact to cost and is of minimal complexity to implement.

Using a proxy vote as an example for the most common scenario envisioned, the relevant entities must already determine the number of customers to receive proxy material and the number of shares each of those customers beneficially own to vote. This proposal simply requires the relevant entities to provide the registrant with the number of shares beneficially owned by their customers alongside an existing requirement for providing their number of customers so that a registrant has information about the total number of votes that could be cast. This proposal is necessary because registrants normally receive votes after over voting adjustment, which obfuscates the scale of potential shareholder vote dilution and disenfranchisement.

I believe that long-term benefits arising from transparency, disclosure, risk management, and systemic risk reduction, resulting from adoption of this proposal, significantly outweighs any and all potential objections against adopting this proposal.

For the reasons described above, the SEC should adopt this proposal and amend its regulations to inform and protect shareholders. Thank you for your consideration of this petition.

Sincerely,

A Concerned Retail Investor