

# United States Senate

WASHINGTON, DC 20510

December 22, 2017

The Honorable Mitch McConnell  
Senate Majority Leader  
Room S-230, U.S. Capitol  
Washington, D.C. 20510

The Honorable Charles Schumer  
Senate Minority Leader  
Room, S-221, U.S. Capitol  
Washington, D.C. 20510

Dear Leaders McConnell and Schumer,

As Congress works to finalize the Fiscal Year 2018 Appropriations bill, we respectfully request that you reject any language that would limit the Securities and Exchange Commission's (SEC) ability to develop, propose, issue, finalize, or implement a rule requiring public companies to disclose political spending to shareholders. We write to highlight the importance of excluding any such language because the Consolidated Appropriations Act of 2017 regrettably included language doing just that.

We believe the SEC should require companies to disclose to their shareholders how they use corporate resources for political activities. This disclosure would not only bring much needed accountability to shareholders and transparency to corporate political spending, but it is both clearly consistent with the SEC's requirement for public companies to disclose meaningful financial information to the public and squarely within the SEC's primary mission of investor protection. Moreover, disclosure of corporate political spending has obvious value for our democracy—it adds transparency to campaign finance, and it keeps the elections process free and fair of super-funded influences here in the U.S. or from elsewhere.

The threat to our democracy from undisclosed money flowing into our elections is not confined to our country's biggest corporations tipping the balance of power heavily in their favor. We also run the risk of allowing foreign influence to seep into our election process through undisclosed political spending. Given that we know the Russian Internet Research Agency purchased digital ads meant to sway American voters and sow chaos,<sup>1</sup> it is critical that we use every tool in our toolbox to shine light on any money being funneled by Russia or any other foreign entity in an attempt to undermine or dismantle our democracy.

Although it is technically illegal for a campaign to receive a contribution from a foreign national, the current campaign finance disclosure and enforcement regime makes it all too possible for contributions from foreign nationals to go undetected. Increased transparency around political spending and robust enforcement are necessary to reveal the true source of election spending in this country.

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<sup>1</sup> Leslie Shapiro, *Anatomy of a Russian Facebook ad*, WASHINGTON POST (November 1, 2017), <http://wapo.st/2AktG2v>.

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. However, notwithstanding our disagreement with the Court's holding, the decision clearly recognized shareholder and public interest in the disclosure of political spending. In fact, Justice Kennedy wrote:

“[P]rompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters.... [D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages.”<sup>2</sup>

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. As the magnitude of the problem and the potential for abuse has skyrocketed, investor demand for this information has greatly intensified.

In addition to the obvious benefits to democracy, the case for disclosure is clear purely as a matter of corporate governance and investor protection. Without disclosure, investors have no way of knowing whether corporate executives are spending their money on political causes that may be directly adverse to shareholder interests. Moreover, shareholders have shown time and again that they want this type of disclosure. To date, more than 1.2 million securities experts, institutional and individual investors, and members of the public have pressed the SEC to promulgate a rule to require public companies to disclose their political spending. Notably, the 1.2 million members of the public are joined in their support of the rulemaking by former SEC Chairs Arthur Levitt (D) and William Donaldson (R) and former Commissioner Bevis Longstreth (D), who emphasized in a May 2015 letter to former SEC Chair Mary Jo White that the Supreme Court's expectation of disclosure would only be met by compelling companies to inform shareholders of their political activities.

We believe any appropriations language intended to block this critical disclosure will serve only to impede the SEC's ability to perform its primary mission of investor protection. Considering this and the threat that secret political spending poses to shareholders and our democracy writ large, we urge you to reject any language that would prohibit the SEC from taking any action to require public companies to disclose their political spending to shareholders. We thank you for your leadership to restore transparency, accountability, and critical investor protections, and we thank you for your consideration of this important request.

Sincerely,

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<sup>2</sup> *Citizens United v. Federal Election Com'n*, 558 U.S. 310, 370-371 (2010).

  
Robert Menendez

  
Jeffrey A. Merkley

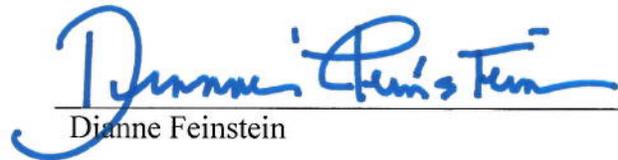
  
Sherrod Brown

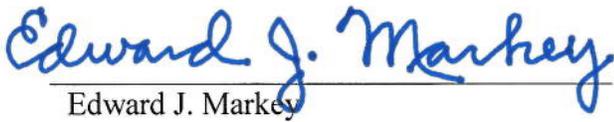
  
Chris Van Hollen

  
Elizabeth Warren

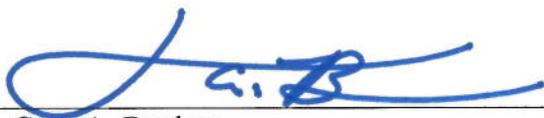
  
Kirsten Gillibrand

  
Tom Udall

  
Dianne Feinstein

  
Edward J. Markey

  
Richard Blumenthal

  
Cory A. Booker

  
Michael F. Bennet

  
Angus S. King, Jr.

  
Jack Reed

  
Kamala D. Harris

  
Benjamin L. Cardin

  
Mazie K. Hirono

  
Jeanne Shaheen

  
Jon Tester

  
Richard J. Durbin

  
Bill Nelson

  
Gary C. Peters

  
Thomas R. Carper

  
Bernard Sanders

  
Sheldon Whitehouse

  
Tammy Baldwin

  
Patrick Leahy

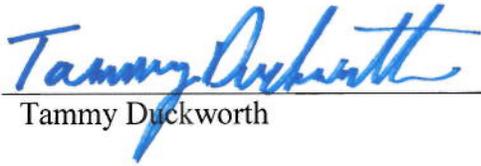
  
Robert P. Casey, Jr.

  
Al Franken

  
Margaret Wood Hassan

  
Christopher A. Coons

  
Ron Wyden

  
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Tammy Duckworth

  
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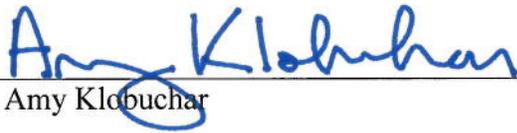
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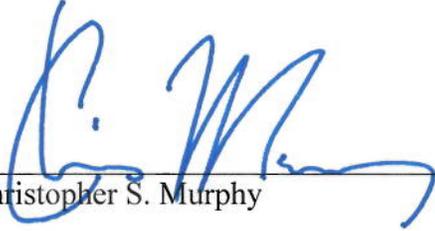
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Amy Klobuchar

  
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Christopher S. Murphy

  
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Catherine Cortez Masto

  
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Martin Heinrich