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Comments that Count: Corporate Influence in SEC Governance Rulemaking

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Abstract

We investigate the motivations, effectiveness, and shareholder-value implications of public firms' attempts to influence the SEC's governance-related rulemaking. Our analysis leverages large language model-assisted text analysis and citation tracking to examine comment letters submitted during the rulemaking process. We find that public firms predominantly submit pro-management comment letters and that these firms are often associated with weaker governance characteristics. Notably, public firms' letters are more likely to be cited in final rules and lead to material changes aligned with their positions—particularly when advocating for pro-management changes. Moreover, public firms whose pro-management letters are cited in pro-management material changes experience significantly negative abnormal stock returns upon the release of the final rule. These findings suggest that public firms leverage the rulemaking process to protect entrenched managerial interests at the expense of shareholder value.

Keywords: Comment letters, SEC rulemaking, Governance regulation, Managerial entrenchment, Corporate influence

JEL Classifications: G18, G34, G38, D72, D78

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Abstract

We investigate the motivations, effectiveness, and shareholder-value implications of public firms' attempts to influence the SEC's governance-related rulemaking. Our analysis leverages large language model-assisted text analysis and citation tracking to examine comment letters submitted during the rulemaking process. We find that public firms predominantly submit pro-management comment letters and that these firms tend to exhibit weaker governance characteristics. Notably, public firms' letters are more likely to be cited in final rules and lead to material changes aligned with their positions—particularly when advocating for pro-management changes. Moreover, public firms whose pro-management letters are cited in pro-management material changes experience significantly negative abnormal stock returns upon the release of the final rule. Together, these findings suggest that public firms leverage the rulemaking process to protect entrenched managerial interests at the expense of shareholder value.

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1 Introduction

Effective corporate governance relies on a regulatory framework that aligns the interests of managers and shareholders. In the U.S., the Securities and Exchange Commission (SEC) develops this framework through a formal rulemaking process. A central feature of this process is the solicitation of public comments, intended to incorporate diverse perspectives and specialized information to improve the quality and effectiveness of final regulations. Public corporations, as primary subjects of these rules, are key participants, submitting comment letters to shape the content and scope of governance regulations.

However, the impact of this corporate participation on regulatory outcomes and shareholder value remains theoretically ambiguous. One possibility is that corporate engagement serves shareholder interests. Under this shareholder interest hypothesis, firms provide regulators with valuable, specialized information to help ensure that the regulations ultimately adopted are efficient and aligned with shareholder value maximization (e.g., Crawford and Sobel, 1982; Dewatripont and Tirole, 1999). In this view, corporate influence is a productive input, consistent with the process's goal of enhancing regulatory quality. Alternatively, corporate participation may be driven by agency conflicts (e.g., Jensen and Meckling, 1976). Under this management interest hypothesis, entrenched managers leverage the rulemaking process to protect their private interests (Bebchuk and Neeman, 2010). This influence runs counter to the process's intended goal, as it aims to weaken oversight and accountability provisions and thereby reduce the effectiveness of governance regulations.[1]

The transparent nature of the SEC's rulemaking process provides a unique laboratory to

[1] These competing outcomes are consistent with the dual constraints the SEC faces in rulemaking: (1) it is resource-constrained and lacks the specialized information needed to produce efficient regulations, and (2) it is susceptible to administrative frictions, such as the threat of finalized rules being challenged in court or nullified by Congress. Thus, whether corporate engagement involves benevolent information provision (the shareholder interest hypothesis) or biased advocacy to protect managerial rents (the management interest hypothesis), it operates by targeting one of these two underlying regulatory constraints.

test these competing hypotheses.[2] Unlike many forms of corporate political activity that are clandestine, the public comment process allows us to directly observe firms' arguments, trace their influence on final rules, and measure the resulting shareholder value consequences. We examine three key questions regarding this corporate influence. First, what motivates public corporations to participate? The shareholder (management) interest hypothesis suggests that participation should be driven primarily by firms with stronger (weaker) governance characteristics. Second, how effective is this corporate influence in shaping regulatory outcomes? While regulators may be susceptible to industry influence, they also face incentives to demonstrate competence (e.g., Lucca, Seru, and Trebbi, 2014). We empirically investigate this question by tracking whether comment letters from public firms lead to material changes in the final rules aligned with their advocated positions. Third, what are the shareholder value implications of successful influence? The shareholder (management) interest hypothesis predicts that firms successfully influencing the rules in their favor should experience a more positive (negative) stock market reaction upon the release of the final rule compared to those that do not.

To investigate these questions, we construct a comprehensive sample of 25 governance rules proposed and finalized by the SEC from 2007 through 2023 and collect the complete set of over $6,600$ comment letters submitted on these rules. We leverage large language model (LLM) techniques to classify the stance of each letter. A key innovation of our study lies in our approach to measuring the influence of individual comment letters on the final rules. Specifically, we track how each material change to the final rules aligns with specific comment letters by identifying the letters cited in the SEC's discussion of the change (typically in footnotes) and assessing whether the change aligns with or runs counter to the positions

[2] Public comment letters represent a specific, on-the-record form of administrative lobbying intended to influence the content of final rules. Our analysis focuses on this observable mechanism. While we do not directly measure other, less publicized channels of corporate political activity (e.g., private meetings with regulators), we interpret the comment letter as the observable component of a potentially broader influence strategy.

advocated in each letter. This approach provides a direct and granular measure of how specific comment letters influence the final rules.

Our findings can be summarized as follows. First, comment letters submitted by public companies are predominantly pro-management, with over 96.0% of these letters favoring reducing regulatory oversight of managerial decisions or expanding the discretion and authority of corporate management. In contrast, only about 28.7% of comment letters by academics, 8.4% from individuals, and 22.9% from institutional investors adopt similarly pro-management positions. Moreover, among public firms, those that do submit letters tend to be associated with characteristics commonly interpreted as indicative of agency problems, such as CEO-chairman duality, low institutional ownership, high cash holdings, low leverage, low profitability, low sales growth, and high selling, general, and administrative (SG&A) expenses. These results are consistent with the management interest hypothesis, suggesting that public firms, especially those with weaker governance, participate in governance rulemaking to protect entrenched management interests.

Second, we find that this corporate influence is highly effective in shaping the content of final rules.[3] Comment letters submitted by public companies are significantly more likely to lead to material changes in the final rules that are aligned with their preferences, particularly when the letters advocate for pro-management positions, relative to those submitted by academics (our base group). Similarly, letters from public companies, especially their pro-management letters, are significantly more likely to be cited in the final rules.[4] In terms of economic magnitude, public firms' letters generate 0.354 additional net aligned changes

[3]We interpret our evidence as capturing the effectiveness of a firm's overall influence strategy, for which the public comment letter is the observable, on-the-record component. This public advocacy may be complemented by unobserved channels, such as private meetings, political connections, and "revolving door" hires.

[4]These results are unlikely to be explained by a "regulatory theater" interpretation in which the SEC proposes overly stringent rules and moderates them regardless of comments received: if moderation were prescripted and anticipated by the market, we would not expect significant market reactions upon the release of the final rule, as we show below.

(amounting to about 75.3% of the sample standard deviation) and receive 69.4% more citations, compared to those submitted by academics. Importantly, public firms' influence remains qualitatively unchanged regardless of whether we control for letter length or sophistication, suggesting that regulators likely give comments from certain submitter types more weight due to their identity and resources—such as their capacity to challenge rules in court.[5] Moreover, cross-sectional tests suggest that public firms' influence is even stronger when the proposed rules have more significant governance implications and when their comment letters closely mirror those submitted by trade associations or legal consulting firms. These results suggest that public firms' influence is most pronounced when agency conflicts are most acute and when their advocacy is amplified by other pro-management voices.

Third, we find that successful pro-management influence is value-destructive for shareholders. Public firms whose pro-management letters lead to pro-management changes in the final rule experience significantly negative abnormal stock returns upon the release of the final rule. Specifically, the three-day market-adjusted CAR for firms whose pro-management letters are cited in discussions of pro-management material changes to the final rule is -0.718% (significant at the 5% level), whereas it is 0.676% for firms whose letters are not cited in aligned pro-management material changes. The difference of 1.394 percentage points is significant at the 1% level. These results suggest that when the SEC's final rule explicitly incorporates pro-management positions advocated by a public firm, the market views the outcome as detrimental to the firm's shareholder value, consistent with the management interest hypothesis. The significant CARs also suggest that the corporate influence documented above

[5] The threat of litigation is an important constraint on the SEC's rulemaking process. Industry groups and well-resourced commenters frequently challenge finalized rules under the Administrative Procedure Act (APA), arguing that the SEC failed to adequately justify the rule's economic costs or ignored substantive public feedback. Notable examples of such challenges include the D.C. Circuit's vacatur of the SEC's proxy access rule (*Business Roundtable v. SEC*, 2011), as well as the Fifth Circuit's decisions to vacate the Share Repurchase Disclosure Modernization rule in 2023 and the Private Fund Advisers rule in 2024. Anticipating this judicial scrutiny, the SEC may rationally preempt litigation risk by paying more attention to the views of entities possessing the resources to mount such costly legal challenges.

is unlikely to reflect a rulemaking process in which the SEC is expected to enact certain changes regardless of the comments received. Further supporting the management interest hypothesis, additional tests show positive market reactions around proposed rules and negative reactions around comment submissions for the group of "successful" pro-management firms, albeit with limited statistical significance. These patterns are inconsistent with an expectations-based explanation but align with our agency-conflicts framework.

Our paper makes three contributions to the literature. First, we introduce a citation-based, letter-level measure of the effectiveness of corporate influence in regulatory rulemaking. We are the first in the literature to trace the *changes* in the final rule back to individual comment letters, which allows us to directly assess the influence of specific comment submitters and the direction of their influence.[6]

Second, we provide direct evidence on the shareholder value implications of *successful* corporate influence in regulatory rulemaking. Our finding that firms experience significantly negative abnormal returns when their pro-management advocacy is incorporated into a final rule suggests that effective influence in this context reflects value-destroying managerial rent-seeking. This result complements Hochberg, Sapienza, and Vissing-Jørgensen (2009), who use commenting as a proxy for firms most exposed to the SOX regulation. They find higher cumulative abnormal returns for these firms during the legislative period leading up to the passage of SOX, consistent with the market anticipating net benefits from the legislation. In contrast, our approach distinguishes between commenting firms that successfully influence

[6] Bertrand, Bombardini, Fisman, Hackinen, and Trebbi (2021) use textual similarity between discussions in the final rule and firm comments to measure corporate influence. While this measure captures the salience of a firm's advocacy and the regulator's attention, it does not distinguish whether the final rule ultimately adopts the firm's specific policy preferences or merely discusses them. In contrast, we systematically track specific material changes in the final rule to individual letters cited in the footnotes of those changes. This allows us to trace how each change aligns with specific cited letters. Together with our focus on governance rules—which allows us to classify both rule changes and comment letters as pro-management or pro-shareholder—this approach provides a more direct, directional measure of the effectiveness of corporate influence in shaping regulatory outcomes.

the final rule and those that do not, allowing us to isolate the effect of successful influence from exposure to the regulation itself.

Third, we contribute to the literature on corporate governance by identifying a previously underexplored mechanism of managerial entrenchment, i.e., influence over the rulemaking process. While most governance research focuses on firm-level mechanisms (such as board capture or anti-takeover provisions), our findings highlight how public firms can shape the rules of the game by actively participating in the regulatory process to advance managerial interests.

Our study has several policy implications. First, regulations intended to strengthen corporate governance may be undermined by the influence of public firms whose managerial interests diverge from those of shareholders. Our finding that weaker-governed public firms predominantly advocate for pro-management positions suggests that entrenched management uses the comment process not to improve regulatory quality, but to insulate themselves from discipline, thereby introducing an agency conflict into the rulemaking process itself.

Second, our finding that public firms' comment letters, especially pro-management ones, are disproportionately cited and incorporated into final rules highlights the influence these firms wield. Since the SEC's open comment system seeks broad input to incorporate a diversity of viewpoints, the system may benefit from additional safeguards to ensure shareholder perspectives and other stakeholder views receive commensurate attention. Policymakers could, for instance, encourage more systematic participation from shareholder advocacy groups and other investor representatives to help counterbalance managerial influence.

Third, the negative stock returns for firms that successfully secure pro-management changes highlight a tension between managerial interests and shareholder value, underscoring the need for greater transparency in corporate participation in the rulemaking process. In particular, firms could enhance disclosures on their policy positions and how their positions align with shareholder interests, especially on governance issues that may affect managerial entrenchment. Also, stronger oversight by boards would help ensure such advocacy efforts prioritize shareholder value rather than primarily serving managerial interests.

The rest of the paper is structured as follows. Section 2 provides an overview of the institutional background of the rulemaking process and discusses related literature. Section 3 describes the data and measures used to assess corporate influence in the rulemaking process. Section 4 presents the empirical results, and Section 5 concludes.

2 The Rulemaking Process and Related Literature

2.1 Institutional background on the rulemaking process

Under U.S. law, federal agencies are responsible for implementing legislation passed by Congress. Central to this role is rulemaking, which translates legislative intentions into detailed, enforceable guidelines. The Administrative Procedure Act (APA) of 1946 specifies the procedures for this process. An agency must first issue a Notice of Proposed Rulemaking (NPRM), which outlines the proposed rule, the legal authority under which it is issued, and the procedures for public comment. The agency then provides a public comment period, during which stakeholders may submit written feedback. This notice-and-comment process is designed to mitigate the regulator's incomplete information problem, as agencies typically do not possess all relevant information needed to evaluate the impacts of proposed rules on affected stakeholders. After considering these comments, the agency may revise the proposal and subsequently issue a final rule. To safeguard against arbitrary regulation, the APA mandates that regulators respond to substantive comments when finalizing the rule. The final rule generally becomes effective no sooner than 30 days after publication, unless an exception applies.

As a key regulator of U.S. capital markets, the SEC follows these steps when issuing rules. These rules fall into two broad categories: new rules to implement recently passed legislation and amendments to existing rules in response to changing legal, economic, or technological conditions. For example, during our sample period, the SEC proposed rules to implement major legislation such as the Dodd-Frank Act of 2010 and the JOBS Act of 2012, as well as amendments to existing rules aimed at addressing emerging developments. Our analysis covers both types of rules.

Once the SEC proposes a rule, it publicizes it to gather insights from the public and address information gaps in the rulemaking process. This public comment system is designed to incorporate diverse perspectives and enhance accountability. In contrast to many clandestine forms of corporate influence, all comment letters are required to be posted for public review, making the content of this advocacy publicly accessible. The comment period generally spans about three months, giving stakeholders ample opportunity to weigh in on policy issues that matter to them.

After the comment period, the SEC reviews all submitted letters and finalizes the proposed rule. In the final rule release, the agency publishes a detailed "discussion" section for each provision, indicating whether that provision is retained, modified, or withdrawn. Crucially, this section cites both comment letters supporting a material change and those opposing it, allowing us to pinpoint which letters appear to have influenced the final outcome and in what direction (i.e., whether the change aligns with or runs counter to each letter's positions).

Finally, all finalized rules require majority approval by SEC commissioners to become effective. While this vote marks the completion of the agency's rulemaking process, two important checks remain. First, finalized rules may be challenged in court under the APA on procedural or substantive grounds. Second, under the Congressional Review Act, Congress may nullify a rule via joint resolution within 60 legislative days of its submission to Congress.

2.2 Related literature

Our paper is related to the literature on corporate lobbying and its implications for shareholder value. A growing body of research in economics and finance shows that corporate lobbying is associated with positive outcomes for firms, such as weaker regulatory oversight (Yu and Yu, 2011; Igan, Mishra, and Tressel, 2012; Correia, 2014), increased access to government funds (Adelino and Dinc, 2014), lower effective tax rates (Meade and Li, 2015), and higher firm value (Borisov, Goldman, and Gupta, 2016).[7] These studies primarily rely on firms' lobbying expenditures as a proxy for influence and do not examine specific mechanisms through which these corporations influence regulatory outcomes. Our study departs from this literature in two important ways. First, we examine a different—and highly transparent—form of lobbying: comment letter submissions in the regulatory rulemaking process.[8] By leveraging the public comment process in agency rulemaking, we directly observe individual firms' lobbying positions—as revealed through their comment letters—and trace how those positions translate into material changes in final rules. Second, while prior studies generally find that lobbying benefits firms and shareholders, we show that in the context of governance rulemaking, lobbying can instead serve managerial interests at the expense of shareholder

[7] More broadly, our paper relates to the literature on the influence of firms' political activities and connections on firm outcomes. For an incomplete list of studies, see, e.g., Lenway, Morck, and Yeung (1996), Fisman (2001), Johnson and Mitton (2003), Ansolabehere et al. (2004), Khwaja and Mian (2005), Faccio (2006), Faccio, Masulis, and McConnell (2006), Jayachandran (2006), Claessens, Feijen, and Laeven (2008), Faccio and Parsley (2009), Goldman, Rocholl, and So (2009), Cooper, Gulen, and Ovtchinnikov (2010), Fisman et al. (2012), Duchin and Sosyura (2012), Blanes i Vidal et al. (2012), Adelino and Dinc (2014), Akey (2015), Acemoglu et al. (2016), Faccio and Hsu (2017), Brown and Huang (2020), and Faccio and Zingales (2022).

[8] Prior work by Ramanna (2008) and Hochberg, Sapienza, and Vissing-Jørgensen (2009) shows that comment letter submissions are a key mechanism for agency-driven lobbying in accounting standards and governance rulemaking, respectively.

value. This finding provides empirical support for the theoretical prediction of Bebchuk and Neeman (2010) that insiders will lobby to set investor protection levels below the social optimum to extract private benefits.

Our paper is also related to the literature in political science on corporate influence in rulemaking (see, e.g., Golden, 1998; Furlong and Kerwin, 2005; Yackee, 2006; Yackee and Yackee, 2006; Carpenter et al., 2024). This literature generally treats corporate interests as a single, unified group and does not consider the role of specific comment submitters in influencing rulemaking outcomes. Further, it does not distinguish between management interests and shareholder interests, effectively treating corporate advocacy as a monolithic force rather than a mechanism that may serve one group's interests at the expense of the other within the firm. In contrast, our paper provides a firm-level analysis that disentangles these competing interests and sheds light on the motivations, effectiveness, and shareholder value consequences of corporate influence in the rulemaking process.

Our paper is also closely related to Hochberg, Sapienza, and Vissing-Jørgensen (2009), who evaluate the costs and benefits of the Sarbanes-Oxley Act using corporate lobbying during the SEC's rulemaking process. While both papers find that weaker-governed firms are more likely to submit comment letters, our study differs from Hochberg et al. (2009) in three important ways. First, our paper focuses on how corporations actively shape regulatory outcomes, and we systematically trace changes in final governance rules back to individual comment letters, allowing us to directly assess how specific comment submitters influence regulatory outcomes. In contrast, Hochberg et al. (2009) use corporate lobbying as a tool to evaluate the impact of a regulation, i.e., the SOX, on firms and shareholders. They treat comment letter submission as a proxy for regulatory exposure and do not link individual lobbying efforts to specific rule changes. Second, whereas Hochberg et al. (2009) estimate the valuation impact of SOX on "most affected" firms as a single group, we condition on the effectiveness of engagement. Specifically, we distinguish between firms whose pro-management advocacy is explicitly incorporated into the final rule and those whose advocacy is not. This allows us to ask whether successful corporate influence in SEC governance rulemaking advances managers' interests at the expense of shareholders. Third, while Hochberg et al. (2009) focus on a single landmark regulation and the advocacy of insiders and outside investors, we examine a larger set of 25 governance rules and consider a diverse set of stakeholder groups. This broader scope allows us to provide a more systematic evaluation of how regulatory outcomes are shaped by competing interests across multiple actors and rules.

3 Data and Measures

3.1 Sample Construction

We construct our sample using the SEC's comprehensive online repository of its rulemaking activities, including proposed and final rules, along with associated comment letters.[9] Our sample covers rules finalized between 2007 and 2023. We start with 2007 because this marks the year when the SEC began systematically digitizing and archiving comment letters in a more accessible and standardized format, ensuring greater consistency and completeness in the data.

We focus on rules promulgated by the Division of Corporation Finance that pertain to corporate disclosure, governance, and shareholder rights. We further require that each rule in our sample includes a "discussion" section in its final release, which details how public input shaped regulatory decisions and explains the rationale for retaining, modifying, or

[9] See `https://www.sec.gov/rules-regulations/rulemaking-activity` for the SEC's rulemaking activities.

discarding specific provisions. This requirement is essential for analyzing how proposed rules evolve during the rulemaking process and for identifying the influence of specific comment letters on the final outcome.

Table 1 lists the 25 rules that meet our selection criteria, categorized into four broad types: disclosure (10 rules), shareholder rights (7 rules), executive compensation (5 rules), and anti-fraud (3 rules). For each rule, we report its proposal year, finalization year, comment period duration, and the number of public comments received. The average rule in our sample receives 264.80 comment letters and has a comment period duration of about 67 days. Notably, the rules that garnered the highest number of public comments are *Pay Ratio Disclosure* (1,510 comments), *Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8* (1,171), and *Modernization of Beneficial Ownership Reporting* (693).

[Insert Table 1 about here.]

3.2 Characterizing Comment Letters

Our final sample of comment letters includes $6,621$ unique, readable comment letters on the 25 governance-related rules.[10] We use the names and affiliations of comment submitters to classify them into 11 groups: public companies (excluding investment firms), private companies, trade associations, legal consulting firms, institutional investors, labor unions, government agencies and self-regulated organizations (SROs), elected politicians, academics, individuals (excluding elected politicians and academics), and other non-profit organiza-

[10] For some rules, the SEC receives multiple submissions with identical or substantially similar content, known as "form letters." To ensure each letter in our analysis provides unique informational value, we exclude these duplicative submissions. Though numerous (totaling over $400,000$), our untabulated analysis shows that form letters are substantially shorter (averaging 311 words vs. $1,319$ for unique letters), overwhelmingly pro-shareholder (97.78%), and less likely to be cited in final rules (13.33% vs. 23.20%). Including these identical bulk submissions would obscure variation in influence across letters with unique content.

tions. To be considered as advocacy on behalf of companies, we require that the comment submitters' titles suggest they are in a position to represent their companies, such as Director, President, Chief Regulatory Officer, SVP Regulatory Affairs, or similar executive or regulatory-focused roles.[11] We classify publicly traded investment companies within the institutional investor category because their incentives to influence governance regulations are likely to align more closely with those of institutional investors rather than with those of other public companies. Similarly, we classify the Council of Institutional Investors (CII) and other associations representing investors within the institutional investor category, as their advocacy efforts primarily reflect the interests of institutional shareholders. Separately, submitters classified as private companies are primarily affiliated with executive compensation consultants (e.g., Meridian Compensation Partners), shareholder engagement firms (e.g., KLD Research), and policy consultancies.

Panel A of Table 2 reports summary statistics on the textual characteristics of the full sample of comment letters, broken down by comment submitter type, along with their likelihood of being cited in the final rule. Public companies, which are the focus of our analysis, submit 327 comment letters with an average length of 2,186 words. We note that public firms may also exert influence indirectly, e.g., through trade associations or by hiring legal consulting firms to represent their interests. These indirect channels can amplify public firms' influence in ways that are not fully captured by counting only the letters they submit directly. As a result, the number of letters submitted by public firms may understate their true influence in the rulemaking process.[12]

[11] See Appendix A for definitions and examples of each category of comment submitters. In a few cases, a submitter self-discloses their affiliation with a company in the letter but does not have a title suggesting they are representing their company (e.g., they have a title of Engineer or Scientist). In such instances, we classify them as individuals rather than as representatives of their firms.

[12] Not all firms perceive a need or possess the resources to engage actively in the rulemaking process. As we discuss below, public firms' participation depends on their incentive to influence governance rules—with weakly governed firms more likely to engage to protect managerial interests—and their available resources. Additionally, because comment letters are publicly disclosed, some weakly governed firms may refrain from submitting letters to avoid revealing their type.

In contrast, individuals contribute the largest number of letters (4,122), but their submissions are notably shorter, averaging just 368 words. Academics, trade associations, and legal consulting firms submit the longest letters, with an average length of 5,091, 3,526, and 3,137 words, respectively, although their number of letters is comparable to that of public firms, with 188, 311, and 197 submissions, respectively.

To assess the quality and sophistication of comment letters, we employ OpenAI's GPT-4 to score each letter on a scale from 1 to 10 based on four criteria: (1) Substantiation—the extent to which a letter supports its claims with empirical data, legal precedents, or well-reasoned arguments; (2) Expertise—the extent to which a letter demonstrates deep knowledge of securities regulation, financial principles, or legal frameworks; (3) Clarity—the logical coherence, structure, and readability of the letter; and (4) Engagement—the extent to which the letter directly addresses specific sections of the SEC's proposed rule, provides constructive feedback, and offers clear recommendations rather than broad complaints or accusations. In addition to these component scores, we instruct OpenAI's GPT-4 to generate an overall sophistication score that holistically captures the letter's level of sophistication.[13] A higher score indicates greater sophistication.

Among all comment submitter groups, legal consulting firms' letters exhibit the highest level of overall sophistication (8.22 out of 10), particularly excelling in expertise (8.74) and engagement (8.55). This is consistent with the expectation that legal professionals leverage their specialized knowledge to provide rigorous, well-reasoned analyses grounded in legal and regulatory frameworks. In contrast, individuals' letters exhibit the lowest level of sophistication (3.36), scoring particularly low in substantiation (2.22) and expertise (3.15). This suggests that many of these submissions lack the substance and depth typically found in letters from other groups of comment submitters.

[13] See Appendix B.1 for the prompt we use to generate the sophistication scores.

Public firms' letters have an overall sophistication score of 7.14, placing them in the mid-range among comment submitter groups. While they score lower than legal consulting firms and institutional investors, they exhibit relatively high levels of expertise (7.70) and engagement (7.58), indicating that public firms provide informed and structured arguments, likely reflecting their vested interest in the regulatory outcome.

In terms of citation frequency, public companies' letters are cited in the final rule discussions at a rate of 60.55%, the second highest among all comment submitter groups, trailing only legal consulting firms (71.07%). This indicates that regulators frequently consider the input provided by public firms when deliberating on rule changes, reflecting the perceived relevance and value of their submissions in the rulemaking process. In contrast, individual letters have the lowest citation rate at just 6.55%, which can be partly attributed to their lower sophistication levels. However, citations do not necessarily imply direct influence on the final rule. Rather, they indicate that the regulator has considered the submitter's arguments as part of the broader discussion, without necessarily endorsing or adopting their positions.

To assess whether a comment letter aligns more closely with shareholder interests or management interests, we use OpenAI's GPT-4 to classify each letter into one of the following categories:[14]

1. Pro-management letters: Those that favor reducing regulatory oversight of managerial decisions, reducing compliance burdens and costs, or expanding the discretion and authority of corporate management.

2. Pro-shareholder letters: Those that advocate for regulations or practices that enhance

[14]See Appendix B.2 for the prompt we use to classify the comment letters by their positions. Internet Appendix Table IA-1 presents selected examples of comment letters along with explanations for their classification.

shareholder rights, increase transparency, or impose additional scrutiny on management's actions.

3. Neutral letters: Those that do not fall under either of the above categories.

We categorize comment letters as pro-management or pro-shareholder, rather than simply supporting or opposing specific rules, to better reflect the underlying economic interests being advanced. While pro-management letters advocate for managerial discretion and reduced regulatory burden, they do not necessarily oppose regulation—some may support rules that streamline compliance. Conversely, while pro-shareholder letters focus on investor protection and corporate oversight, they may oppose regulations they view as insufficiently protective, such as those that weaken proxy access. This approach provides a more nuanced and economically meaningful assessment of the positions articulated in the comment letters.

Panel B of Table 2 shows that public companies overwhelmingly advocate for pro-management positions, with 96.02% of their letters supporting management-friendly policies. This pattern suggests that corporate participation in the rulemaking process is primarily driven by management interests rather than shareholder interests. Legal consulting firms and trade associations follow closely, with 76.65% and 73.63% of their letters advocating for pro-management positions, respectively. These findings are consistent with the idea that public firms also exert influence indirectly through trade associations and legal consulting firms, further amplifying their pro-management stance in the rulemaking process.

In contrast, labor unions, individuals, and institutional investors predominantly submit pro-shareholder letters, with 97.73%, 88.28%, and 75.54% of their letters advocating for stronger shareholder rights, respectively.[15] This pattern indicates that these groups serve as

[15] While widely known for employee and workplace advocacy, labor unions actively participate in SEC governance rulemaking primarily in their capacity as fiduciaries for large, union-affiliated pension funds (e.g., the AFL-CIO Reserve Fund). Because their members' retirement security relies heavily on long-term equity performance, their advocacy on governance rules strongly aligns with maximizing shareholder value

counterbalances to public firms, legal consulting firms, and trade associations in the rulemaking process, pushing for increased transparency and greater managerial accountability.

[Insert Table 2 about here.]

3.3 Measuring the Influence of Specific Comment Letters

We introduce a novel approach to measuring the influence of specific comment letters by directly observing how they are cited in discussions of specific material changes to the rules. Our method allows us to precisely assess how individual letters shape regulatory outcomes, offering a more direct and granular measure of corporate influence.[16] We describe below how we identify material changes and track the influence of specific letters on these changes.

3.3.1 Identifying Material Changes

When a proposed rule undergoes the rulemaking process, it is often modified before being finalized. These modifications can range from minor wording adjustments to clarify language or improve formatting to significant structural changes that reshape the rule's scope, applicability, or compliance requirements—including eliminating a proposed provision, altering enforcement thresholds, or introducing new compliance conditions.

Given that not all changes carry the same weight in shaping the final rule, distinguishing

and enhancing managerial accountability.

[16] A potential concern is that this process is merely "regulatory theater," where agencies propose overly stringent rules and moderate them later regardless of the comments received. This view, however, is inconsistent with the Administrative Procedure Act, which requires regulators to consider and respond to substantive public input. An agency that ignores substantive, evidence-based comments makes its final rule vulnerable to legal challenges. Moreover, if moderation were entirely pre-scripted, we would not see systematic heterogeneity in which types of letters are cited and associated with material changes, nor would we observe significant market reactions when the final rule is released (as we show later). These findings suggest that comment letters are not merely symbolic; they serve as a meaningful channel for shaping final rule outcomes.

between material and non-material changes is crucial to understanding how public comments influence regulatory outcomes. We categorize a change as material if it falls under one of the following five categories:

1. A proposed provision is not adopted;
2. The coverage or threshold for a provision's applicability is modified;
3. A new condition that alters the implementation of the provision is introduced;
4. A proposed provision undergoes substantive modifications; and
5. Compliance-related requirements are adjusted in a meaningful way.

Conversely, we categorize a change as non-material if a change to a provision only clarifies the existing language without altering its substance or if the modification adjusts the presentation format of required disclosures without affecting their content or implications.

To ensure an accurate classification of rule changes, we adopt a two-pronged approach that integrates human judgment with AI-assisted analysis. Specifically, we use OpenAI's GPT-4 to identify and categorize changes as either material or non-material types and conduct manual reviews to ensure accuracy.[17] When discrepancies arise between AI-generated classifications and human assessments, we re-examine the original text to resolve inconsistencies. This dual-review process minimizes classification errors and enhances the reliability of our classification scheme. As shown in Panel A of Table 3, we identify 49 material changes and 100 non-material changes in our sample of governance rules. In our analysis below, we focus on the material changes, as they represent substantive revisions to the proposed rules that could significantly alter corporate governance practices and outcomes.

[17] See Appendix B.3 for the prompt we use to categorize changes between proposed and final rules as either material or non-material types.

3.3.2 Classifying Material Changes as Pro-management or Pro-shareholder

Given our focus on whether public firms participate in the rulemaking process in the interest of shareholders or management, we classify each material rule change as either pro-management or pro-shareholder. A pro-management change favors reducing regulatory oversight of managerial decisions, lowering compliance burdens and costs, or expanding managerial discretion and authority. In contrast, a pro-shareholder change strengthens shareholder rights, increases transparency, or imposes greater scrutiny on management's actions.

To systematically classify these changes, we first use OpenAI's GPT-4 to categorize each material change based on the above definitions. We then conduct a manual review to ensure accuracy and resolve any ambiguities. In cases where a rule change does not clearly align with either category, we classify it as neutral. Panel A of Table 3 shows that, among the 49 material changes in our sample, we classify 28 as pro-management, 13 as pro-shareholder, and 8 as neutral. On average, each rule has 1.96 material changes, with 1.12 being pro-management, 0.52 pro-shareholder, and 0.32 neutral.

As an example of a pro-management material change, consider the rule titled *Insider Trading Arrangements and Related Disclosures*. The proposed rule required directors and officers to observe a 120-day cooling-off period before trading under a newly adopted or modified Rule 10b5-1 plan. The final rule reduced this period to the later of 90 days after adoption or two business days following the issuer's next quarterly earnings release, capped at 120 days. This change grants executives greater flexibility in trading, making it a pro-management change.

As an example of a pro-shareholder material change, consider the rule titled *Whistleblower Program Rules*, which amends Rule 21F-9 — Procedures for Submitting Original Information. The proposed rule required whistleblowers to submit information using specified methods (e.g., an online portal or mailed/faxed Form TCR) to qualify for an award. The final rule introduced a waiver mechanism, allowing individuals who initially failed to comply with these procedures to perfect their submissions within 30 days of first learning of the requirement. This change expands opportunities for whistleblowers to qualify for awards, thereby strengthening investor protection by encouraging more whistleblowers to come forward without risk of disqualification due to procedural errors.[18]

3.3.3 Measuring How Specific Comment Letters are Aligned with Specific Changes

The SEC's final rule releases include detailed discussions of the rule changes, often citing comment letters in footnotes to justify why a provision was retained, modified, or removed. This allows us to directly observe which comment letters are associated with specific changes and assess whether the final rule aligns with or runs counter to the positions taken in those letters.

Specifically, we measure a comment letter's influence based on whether it is cited in the discussion of a material change and whether the change aligns with or contradicts the position it advocates. A pro-management (pro-shareholder) letter cited in the discussion of a pro-management (pro-shareholder) material change is considered aligned, as the rule change is consistent with the letter's stance. Conversely, a pro-management (pro-shareholder) letter cited in the discussion of a pro-shareholder (pro-management) material change is considered misaligned, as the final rule moves in the opposite direction of the letter's position. This classification allows us to measure not only whether a letter is influential but also whether it successfully shapes the final rule in the direction it favors.

For example, consider the above-mentioned material change to the cooling-off period in

[18] See Internet Appendix Table IA-2 for additional examples of material changes and explanations for their classification as pro-management or pro-shareholder.

Rule 10b5-1, which we classify as pro-management because it reduces the required waiting period before directors and officers could trade under a new or modified trading plan. The SEC's final rule discussion cites numerous comment letters in footnotes, grouping them by whether they support or oppose the length of the originally proposed 120-day cooling-off period. Letters from public firms, such as Chevron, Dow, FedEx, PNC, and industry groups, including the U.S. Chamber of Commerce, National Association of Manufacturers, and major law firms, argue that the proposed 120-day period is too long. As the final rule ultimately shortens the cooling-off period, these letters are classified as being associated with an aligned material change. Conversely, letters from organizations such as the AFL-CIO, the Council of Institutional Investors, and International Corporate Governance Network (ICGN) are cited in the discussion as supporting a longer cooling-off period.[19] Since the final rule shortens the period, these letters are classified as being associated with a misaligned material change.

This approach provides a granular and direct measure of how specific comment letters influence the final rule. By tracking citations in the SEC's discussion sections and categorizing them based on whether the rule change aligns with a given letter's position, we assess the effectiveness of individual comment letters in shaping governance regulations. Panel A of Table 3 shows that for the average rule in our sample, 26.12 letters are cited in discussions of aligned material changes and 15.92 are cited in discussions of misaligned material changes.

Building on this, we construct a letter-level measure to quantify individual comment letters' effectiveness in influencing the final rule. Specifically, we calculate the *Number of Net Aligned Material Changes* as the difference between the number of material changes aligned with the letter's position and the number of material changes misaligned with it. This measure effectively captures the extent to which a letter's advocated positions are

[19] See footnotes 48 and 52 in SEC Final Rule *Insider Trading Arrangements and Related Disclosures*, 87 Fed. Reg. 80367 (Dec. 29, 2022), available at `https://www.govinfo.gov/content/pkg/FR-2022-12-29/pdf/2022-27675.pdf`. Appendix C provides excerpts from the rule illustrating how it cites comment letters with opposing views on the cooling-off period.

reflected in the final rule.[20] By netting out misaligned changes, our measure penalizes letters that the SEC cites only to explicitly disagree with their positions. This netting ensures that our measure does not erroneously inflate the influence of firms whose arguments are acknowledged but ultimately dismissed by regulators.

Panel B of Table 3 shows that, in the full sample of letters, the average letter is cited 0.10 times in aligned material changes and 0.06 times in misaligned material changes. The variable, *Number of Net Aligned Material Changes*, has a mean of 0.04 and a standard deviation of 0.47. Among comment submitter types, legal consulting firms and public companies are the most successful in influencing the regulatory outcome, with an average *Number of Net Aligned Material Changes* of 0.34 and 0.24, respectively. In contrast, labor unions and academics are the least successful, with an average *Number of Net Aligned Material Changes* of -0.11 and -0.10, respectively.

Following Bertrand et al. (2021), we also use the citation count as a measure for a letter's influence. Panel B of Table 3 shows that the average letter in our sample is cited 1.5 times. Again, legal consulting firms and public firms are the most influential groups based on citation frequency, with legal consulting firms' letters receiving the highest average citation count (7.44), followed by public companies (4.19). In contrast, individuals have the lowest citation count (0.18), suggesting that the average letter from an individual has negligible influence on the final rule.

[Insert Table 3 about here.]

[20] One might argue that an aligned change only reflects influence if the SEC explicitly adopts the commenter's reasoning. However, to survive judicial scrutiny under the APA, the SEC cannot explicitly base rule changes on the private interests of specific stakeholders. Instead, the agency must translate these concerns into its broader statutory mandates (e.g., market efficiency or capital formation). Because the SEC frequently formalizes commenters' arguments into its own independent regulatory rationale, net aligned changes capture effective influence: whether commenters achieve their desired regulatory outcome, regardless of how explicitly the final rule text credits its contribution.

4 Empirical Results

In this section, we first examine the characteristics of public firms that submit comment letters. We then evaluate the effectiveness of these firms' comment letters in shaping final rules. Finally, we analyze stock market reactions to the release of final rules.

4.1 Characteristics of Public Firms that Submit Comment Letters

To understand the motivation behind corporate participation in the regulatory process for governance rules, we compare the characteristics of public firms that submit comment letters with those that do not. If this participation primarily serves shareholder interests, firms with stronger governance structures should be more actively engaged in the rulemaking process. Conversely, if this participation is driven by managerial self-interest, firms with weaker governance should be more likely to participate in the rulemaking process.

We construct a sample of firm-rule pairs to analyze public firms' participation in the rulemaking process. Specifically, for each governance-related rule proposed by the SEC, our sample includes all US-incorporated firms with common stock listed on the NYSE, NASDAQ, and AMEX, excluding investment companies classified under SIC code 6282 (investment advisory services), in the fiscal year prior to the announcement of the proposed rule. We exclude investment companies because, as professional investors, they may have distinct incentives to influence governance regulations in ways that align more closely with shareholder interests than with managerial interests.

We consider a number of firm characteristics that may influence a firm's decision to engage in the rulemaking process. First, firms with CEO-chairman duality, low institutional ownership, and a low fraction of independent directors are typically associated with weaker governance and greater managerial entrenchment, which could make them more likely to advocate for rules that benefit management. Also, poor performance such as low sales growth, low return on assets, and low past stock returns may be indicative of potential agency problems, which could affect firms' motivation to participate. Second, larger firms may have more resources and incentives to influence regulatory outcomes. Third, firms with high cash holdings, low leverage, and high selling, general, and administrative (SG&A) expenses may have more discretionary resources to engage in this advocacy. Such firms may also be associated with greater agency problems and have a stronger incentive to participate in the rulemaking process. Lastly, CEO political alignment with the party controlling the White House may facilitate regulatory engagement (Brown and Huang, 2020), as politically connected executives may have better access to policymakers or perceive a higher likelihood of influencing rulemaking. Internet Appendix Table IA-3 presents summary statistics on these firm characteristics.

We regress an indicator for whether a firm submitted a comment letter on a given rule on firm characteristics as well as rule fixed effects. We use two-way clustering of standard errors at the rule and firm levels to account for potential error correlation within a given rule and within a given firm. Table 4 shows that firms with CEO-chairman duality, lower institutional ownership, higher cash holdings, lower leverage, lower profitability (ROA), and higher SG&A expenses are more likely to submit comment letters. Since these characteristics are commonly associated with weaker corporate governance and greater potential for agency problems, these results are consistent with the management interest hypothesis, suggesting that firms with entrenched management are more actively involved in influencing governance regulations.[21] Our results echo those of Hochberg et al. (2009), who find that firms lobbying against stringent implementation of the Sarbanes-Oxley Act are characterized by agency problems. They also parallel Ramanna (2008), who shows that firms that lobby

[21] Internet Appendix Table IA-4 shows that we obtain qualitatively similar results when we replace the dependent variable with an indicator for the submission of pro-management comment letters. This is expected given that a large majority (about 95%) of the letters submitted by public companies are pro-management.

for discretionary accounting standards are motivated by agency conflicts—specifically, the ability to manage earnings via unverifiable fair-value estimates.

The economic magnitudes of these coefficients are fairly large. For instance, Column (2) shows that, holding all other variables constant, firms with CEO-chairman duality are 0.243 percentage points more likely to submit a comment letter compared to firms without duality. Similarly, a one standard deviation increase in institutional ownership is associated with a 0.365 percentage point decrease in the likelihood of comment letter submission. Given that the submission rate has a mean of 0.35% and a standard deviation of 5.87 percentage points, these differences represent approximately 69.4% and 104.3% of the mean, and 4.1% and 6.2% of the standard deviation, respectively.

Table 4 also shows that CEO political alignment with the party controlling the White House increases the likelihood of submitting a comment letter, suggesting that firms with politically aligned executives are more actively engaged in the regulatory process. This may be because politically aligned executives perceive a greater opportunity to influence policy outcomes under a favorable administration or because political alignment provides firms with better access to key decision-makers and insights into the regulatory agenda.

Further, larger firms are significantly more likely to submit comment letters. Column (2) shows that an increase in firm size from the 25^{th} to the 75^{th} percentile is associated with a 1.262 percentage point increase in the likelihood of submitting a comment letter. This result is consistent with the notion that firms with greater resources are better positioned to engage in regulatory advocacy. Larger firms may also have more at stake in governance-related rulemaking, giving them stronger incentives to shape the regulatory process in their favor.

[Insert Table 4 about here.]

Taken together, these findings shed light on the motivations behind public firms' participation in the comment process. They suggest that engagement on governance regulation is disproportionately driven by firms with characteristics indicative of managerial entrenchment, supporting the hypothesis that it primarily serves to protect managerial interests rather than enhance shareholder value. The result that political alignment and firm size matter for letter submissions suggests that firms with greater resources and political influence are more likely to engage in regulatory advocacy, potentially leveraging their clout to shape governance rules in their favor.

4.2 The Effectiveness of Comment Letters in Shaping the Final Rule

Baseline regressions. Given that public firms with characteristics indicative of weaker governance are more likely to submit comment letters on governance rules, we now examine the effectiveness of these letters in influencing final regulatory outcomes. While agency conflicts explain why entrenched managers participate in the rulemaking process, the theoretical framework does not predict how regulators should respond to their comments. On the one hand, regulators face incentives to demonstrate competence and might discount management's self-serving advocacy. On the other hand, public firms might successfully leverage their resources and expertise to sway the rulemaking process. Therefore, we investigate whether public firms' letters are more likely to be cited in the final rule and lead to net material changes that align with their advocated positions.

We run the following regression using the full sample of comment letters,

$$Influence_l = \alpha_r + \beta \times PublicFirm_l + \sum_i \gamma_i OtherSubmitterType_{l,i} + \theta \mathbf{X}_l + \epsilon_l \qquad (1)$$

where $Influence_l$ is either the number of net aligned changes for letter l in the final rule or the logarithm of one plus the citation count of letter l in the final rule.[22] The number of net aligned changes is measured as the difference between the number of times letter l is cited in the discussion of material changes that align with the letter's advocated position and the number of times it is cited in the discussion of material changes that contradict its position. $PublicFirm_l$ is an indicator that equals one if letter l is submitted by a public company. $OtherSubmitterType_l$ is a set of indicators for other comment submitter types (with academics as the omitted category). $\mathbf{X}_l$ is a vector containing textual characteristics of the letter, including the logarithm of the number of words and the sophistication score. We include rule fixed effects, α_r, to control for unobserved heterogeneity across rules, such as differences in complexity, controversy, or regulatory attention. We compute two-way clustered standard errors by rule and by comment submitter to account for potential error correlation within a given rule and within a given comment submitter.

We choose academics as the base group in our analysis for two main reasons. First, academics who submit comment letters typically possess expertise in law, finance, accounting, or corporate governance, making them a natural benchmark for evaluating the influence of other groups. Second, unlike public firms or industry associations, academics generally do not have a direct financial stake in the regulatory outcome. As a result, their letters provide a relatively neutral reference point for assessing the influence of stakeholders with vested financial interests.

Table 5 shows that comment letters submitted by public companies are significantly more influential than those submitted by academics. Specifically, Column (3) shows that public companies' letters lead to 0.354 additional net aligned material changes compared to letters from academics, which amounts to roughly 75.3% of the sample standard deviation

[22] Since each comment letter is tied to a specific rule, we do not include a separate rule subscript for letter-level measures.

of the dependent variable. Also, Column (7) shows that public companies' letters receive approximately 69.4% ($e^{0.527}-1$) more citations than letters from academics. These differences are economically large.

Moreover, when we decompose public companies' letters into pro-management and other categories, the results indicate that pro-management letters drive the positive influence. These pro-management letters generate significantly more changes aligned with their advocated positions and are significantly more likely to be cited. In contrast, public companies submitting non-pro-management letters do not exhibit a statistically significant effect relative to academics. These findings suggest that public firms are able to shape governance rulemaking in ways that favor managerial interests.

While our analysis focuses on comment letters as the observable channel of corporate participation in rulemaking, we note that public firms may also engage with regulators through unobserved means, such as private meetings or advocacy through intermediaries. As such, we do not interpret our results as capturing the causal effect of comment letters per se. Rather, given that the public comment process requires formal justifications for changes to the final rule, comment letters are likely a necessary on-the-record component of a broader influence strategy that includes both public and private advocacy.

Turning to institutional investors, who predominantly submit pro-shareholder letters (Table 2), we find that while their letters are significantly more likely to be cited, they do not significantly predict net aligned material changes. This finding aligns with the theoretical prediction of Bebchuk and Neeman (2010), who argue that institutional investors will underinvest in lobbying because they bear the full private costs of advocacy while capturing only a fraction of the portfolio gains, unlike corporate insiders who finance their lobbying using corporate resources.

Table 5 also shows that comment letters submitted by legal consulting firms exert substantial influence on the final rules. Specifically, Columns (4) and (8) show that their letters lead to approximately 0.419 additional net aligned material changes compared to those from academics and receive about 75.9% more citations. Letters from labor unions and trade associations exhibit more modest influence. While they are cited significantly more frequently than those from academics, they do not significantly affect the number of net aligned material changes. In contrast, letters submitted by individuals (excluding academics and elected politicians) generally have no significant influence relative to those from academics across either measure.

Table 5 further shows that word count is positively and significantly correlated with both the number of net aligned changes and citation counts, whereas the sophistication score is statistically insignificant. In untabulated results, we repeat the regressions excluding comment submitter type indicators and find that both word count and sophistication score become positive and significant predictors. This confirms that the SEC does, in fact, value the substantive merit and rigor of the arguments presented, validating the premise that regulators adopt positions when letters make a strong case. However, the fact that the sophistication score loses significance once submitter type indicators are included suggests that much of the explanatory power of letter quality is absorbed by the identity of the submitter. This indicates that who writes a letter, and how they are perceived by regulators, may carry more weight than the content itself.

Importantly, our results on the influence of different submitter types remain qualitatively unchanged regardless of whether we control for textual characteristics. These findings indicate that the observed influence of public firms' letters is not merely driven by differences in letter length or sophistication. The substantial variation across comment submitter groups provides suggestive evidence that some groups' comments are given greater weight in the rulemaking process despite similar letter quality. This may reflect differences across these groups in legal and strategic resources, economic or political clout, and access to regulators. For instance, because public firms, legal consulting firms, and trade associations may be more likely to challenge rules in court, regulators may be more inclined to take their input seriously.

[Insert Table 5 about here.]

Public firms' influence on high- and low-impact rules. Public firms' influence on the governance-related rulemaking process may vary depending on the substantiveness of the proposed rules. Since more substantive rules impose greater constraints on managerial discretion, entrenched managers have stronger incentives to allocate resources to shape these regulatory outcomes. Such heightened incentives may translate into greater influence on high-stakes regulations.

To test this hypothesis, we use OpenAI's GPT-4 to evaluate the impact of each proposed rule on corporate governance and assign a score from 1 to 10 based on the extent to which it limits managerial discretion and enhances oversight and transparency. A score of 1 indicates minimal impact, while a score of 10 signifies the most substantial effect.[23] The scores generated align with our expectations, reflecting the varying degrees to which different rules impact managerial discretion and governance oversight. For instance, two rules that receive the highest score (9 out of 10) are *Listing Standards for Recovery of Erroneously Awarded Compensation* and *Shareholder Approval of Executive Compensation and Golden Parachute Compensation*. These rules significantly reduce managerial discretion over executive pay by requiring companies to adopt clawback policies for erroneously awarded compensation and obtain shareholder approval for executive compensation packages, respectively. In contrast, *Administration of the Electronic Data Gathering, Analysis, and Retrieval System* and *Updating EDGAR Filing Requirements and Form 144 Filings* receive the lowest score (3 out of

[23] See Appendix B.4 for the prompt we use to generate the governance impact scores of proposed rules.

10). While these rules relate to disclosure and thus have some governance relevance, they primarily focus on filing logistics and technical updates to the EDGAR system, without materially affecting governance structures, shareholder rights, or managerial accountability.

We define a proposed rule as a high governance impact rule if the substantiveness score for the rule is above the median. We then add an interaction term between the public firm indicator and the high governance impact indicator in Eq. (1). Columns (1) and (3) of Table 6 show that the coefficient on the interaction term is positive and significant, suggesting that public firms' comment letters are more likely to lead to aligned material changes and receive more citations when the rules have more significant governance implications. The economic magnitude is substantial: compared to academic letters, public companies' letters lead to 0.323 additional net aligned changes (about 68.7% of the standard deviation) and receive approximately 66.5% more citations on high-governance-impact rules relative to low-impact ones.

We then categorize public companies' letters into pro-management letters and other letters and interact each of the two types of letters with the high governance impact indicator. Columns (2) and (4) of Table 6 show that the coefficient on the interaction term between *Public Firms: Pro-Mgmt Letters* and *High Governance Impact* is positive and significant, whereas that on the interaction term between *Public Firms: Other Letters* and *High Governance Impact* is insignificant. These results suggest that public firms are able to shape governance rulemaking in ways that favor managerial interests particularly on high-stakes rules.[24]

[24] In Internet Appendix Table IA-5, we further interact the public firm indicator with an indicator for Democratic administrations. Public-firm letters—especially pro-management ones—appear relatively more influential under Democratic administrations. Since Democratic administrations are significantly more likely to propose higher-stakes rules (average score 6.7 vs. 5.0 under Republican administrations), our high-stakes effect likely reflects, in part, that stricter governance rules are proposed disproportionately under Democrats. Given the high correlation and the small number of rules, we view these results as firms mobilizing against restrictive oversight of management, rather than as evidence of a purely partisan effect.

[Insert Table 6 about here.]

Public firms' influence when their letters mirror those of trade associations and legal consulting firms. Public firms' influence in the rulemaking process may be amplified when their comment letters align closely with those submitted by trade associations or legal consulting firms—two types of participants that regulators may perceive as sophisticated and well-informed. To test this possibility, we use OpenAI's GPT-4 to generate a similarity score for each pair of letters submitted on a given rule—one from a public firm and the other from a trade association or legal consulting firm.[25] The pairwise similarity score ranges from 0 to 10 and captures similarity along three dimensions: issue alignment, stance similarity, and argument similarity. A higher score indicates that the public firm's letter is more closely aligned with those of trade associations and legal consulting firms. We then compute the average similarity score for a public firm's letter by averaging across all pairwise scores involving that letter.

We classify public firm letters into high- and low-similarity groups based on the median score and replace the public firm indicator in Eq. (1) with separate indicators for these two groups. Columns (1) and (3) of Table 7 show that the coefficient on the high-similarity indicator is positive and statistically significant, with an economic magnitude more than twice that of the low-similarity indicator. For example, public firms' high-similarity letters generate 0.424 net aligned material changes, as compared to 0.272 for their low-similarity letters. These results suggest that public firms' comment letters are significantly more influential when they closely mirror those submitted by trade associations or legal consulting firms.

We further examine whether this amplification effect is particularly pronounced among pro-management letters. Columns (2) and (4) of Table 7 include separate indicators for public firms' pro-management letters with similarity scores above and below the median.

[25] See Appendix B.5 for the prompt we use to generate the similarity score between comment letters.

The results show that public firms' high-similarity pro-management letters are associated with significantly more net aligned material changes and citations than their low-similarity counterparts, suggesting that trade associations and legal consultants amplify public firms' efforts to shape rulemaking, particularly when advocating for management-friendly positions.

[Insert Table 7 about here.]

These findings are consistent with a coordinated—or at least mutually reinforcing—communication strategy that enhances the salience and credibility of management-friendly positions as perceived by regulators.[26] Public firms may align messaging with trade associations and legal consultants through explicit collaboration, contractual arrangements, or informal channels to advocate for preferred outcomes. Alternatively, public firms and these entities may independently arrive at similar positions on proposed rules, particularly when their interests are closely aligned. In either case, regulators may interpret the convergence of views across multiple sophisticated comment submitters as evidence of broad support, thereby disproportionately weighting pro-management perspectives in the final rule.

4.3 Stock market reactions around the release of the final rule

While our results so far suggest that public companies play a significant role in shaping governance rulemaking to align with managerial interests, the implications of their engagement for shareholder value remain an open question. If corporate participation primarily serves to entrench management at the expense of shareholders, the market should react negatively

[26] While one might argue that, conditional on being cited in aligned changes, original (low similarity) arguments are more influential than less original ones, our interpretation aligns with the political economy of administrative rulemaking. Under the APA, regulatory influence often relies less on the novelty of an argument and more on demonstrating broad economic impacts and the threat of litigation. Consequently, we interpret high textual similarity not as uninformative redundancy, but as a proxy for coordinated legal sophistication.

to governance rule changes that reflect pro-management positions. This would predict that firms securing such regulatory changes should experience negative abnormal returns upon the release of the final rule. Alternatively, successful corporate influence may have neutral or even positive effects on shareholder value. This could happen if regulators accommodate managerial preferences in ways that are largely cosmetic, or if the SEC is expected to enact certain changes regardless of the comments received. In such cases, the final rule would provide no new information to the market. Another possibility is that the resulting rules increase operational flexibility or reduce unnecessary compliance costs, thereby benefiting shareholders without materially weakening their protections.

To assess the impact of successful corporate influence on shareholder value, we examine the stock market reaction to the release of final rules. Table 8 presents an event study analysis examining the stock market reaction to SEC final rule releases for firms that submitted comment letters. We compute cumulative abnormal returns (CARs) over a three-day event window $[-1, 1]$, from one day before to one day after the final rule release, as well as a five-day event window $[-2, 2]$, from two days before to two days after. We report market-adjusted and industry-adjusted returns.

Panel A reports CARs over the three-day window. For the full sample of public firms that submitted comment letters, the market-adjusted CAR is 0.302%, though it is not statistically significant. However, when we partition the sample based on whether a firm's comment letter contributed to aligned pro-management material changes in the final rule, we see a stark contrast. Firms whose pro-management letters were cited in discussions of pro-management material changes experienced a significantly negative market-adjusted CAR of -0.718% (significant at the 5% level), whereas firms whose letters were not cited in such discussions exhibited a significantly positive market-adjusted CAR of 0.676% (again significant at the 5% level). The difference of 1.394 percentage points is statistically significant at the 1% level. We find similar results using industry-adjusted CARs.

Panel B shows that the results obtained using the five-day event window are qualitatively similar. Firms whose pro-management letters were cited in aligned material changes experience a negative CAR, while those whose letters were not cited see a positive CAR, with the differences remaining statistically significant and slightly larger in magnitude.

[Insert Table 8 about here.]

These results are consistent with an information revelation mechanism where the final rule provides the market with a signal regarding management's type as well as their influence over governance regulations. When the SEC incorporates a company's pro-management positions into the final rule, the market learns that the company has entrenched management with effective regulatory influence to secure private benefits, prompting a negative reaction. In contrast, when a firm's letters do not result in pro-management material changes, it signals that the firm is ultimately less effective in weakening governance rules than the market might have previously feared. Taken together, these results lend further support to the management interest hypothesis, suggesting that public firms engage in the public comment process for governance rules primarily to protect entrenched managerial interests at the expense of shareholders.

A plausible alternative interpretation for the CAR results is that they are driven by market expectations rather than agency conflicts. In this view, the proposed rule may be perceived by investors as overly stringent or costly, and the firms we identify as "successful" in influencing the final rule might simply be those most negatively exposed to this initial proposal. Under this interpretation, the market anticipates that these firms will succeed in softening the rule through the comment process. If, at the final rule release, this moderation is less extensive than investors expected, or if the final rule—while less burdensome than the proposal—still imposes significant costs, this would be consistent with the negative CARs we observe, reflecting the market's disappointment that the rule was softened, but not enough.

This alternative expectations-based story generates two testable predictions. First, the negatively exposed firms should experience significant negative abnormal stock returns at the proposed rule release date. Second, the market should interpret their advocacy as "good news," as it signals a forthcoming moderation of the rule, leading to positive abnormal returns at the comment submission date. In contrast, the agency conflicts-based story predicts the opposite pattern: positive abnormal returns at the proposed rule release date for weakly governed firms as they stand to benefit from the new rule, and negative returns at comment submission if a pro-management letter signals rent protection which is likely reflected in the final rule.

We test these competing predictions in Internet Appendix Table IA-6 and find no support for the expectations-based hypothesis. First, at the proposed rule release date, the CAR for our "successful" pro-management group is positive across all specifications and statistically significant for the 3-day market-adjusted CAR (0.694%, $t = 1.74$). This finding is inconsistent with the market viewing the proposal as overly burdensome for these firms. Instead, it is more consistent with the market anticipating that the proposed rule will benefit these weakly-governed firms through its disciplining effect.

Second, at the comment submission date, the CAR is negative across all specifications and statistically significant for the 5-day industry-adjusted CAR (-0.574%, $t = 1.94$). This result is inconsistent with the market perceiving these submissions as positive news. Instead, the negative reaction is consistent with the interpretation that firms' participation in the public comment process reveals underlying agency problems. The lack of stronger statistical significance likely reflects the fact that comment letter submissions are not highly salient events and that considerable uncertainty remains about whether the SEC will ultimately incorporate a letter's advocated positions into the final rule.

Taken together, these results are inconsistent with the expectations-based hypothesis. They reinforce our interpretation that the negative CAR we observe at the final rule release is not the market reacting to a final rule that is costlier than anticipated, but instead reflects the market's negative reaction to new information that management successfully weakened the rule for its own benefit.

5 Conclusion

This paper examines the motivations, effectiveness, and shareholder value implications of corporate participation on governance-related regulations. Using a comprehensive sample of comment letters on governance rules proposed by the SEC, we document three key findings. First, public firms predominantly submit pro-management letters, advocating for reduced regulatory oversight and increased managerial discretion. These firms tend to exhibit characteristics commonly associated with managerial entrenchment, such as CEO-chairman duality, low institutional ownership, high cash holdings, and low leverage. These patterns are consistent with the management interest hypothesis, suggesting that corporate participation is primarily driven by managerial interests rather than shareholder value maximization.

Second, public firms' comment letters, particularly pro-management ones, are significantly more influential in shaping regulatory outcomes. These letters receive significantly more citations and lead to a greater number of material changes aligned with their advocated positions. Moreover, public firms' influence is particularly pronounced when the proposed rules have more significant governance implications. These findings highlight the outsized role of corporate influence in governance rulemaking and suggest that public firms shape regulatory outcomes precisely when agency conflicts are most acute.

Third, this influence appears to come at a cost to shareholders. Public firms that successfully secure pro-management changes in the final rule experience significantly lower abnormal stock returns around the rule's release, suggesting that the market views successful corporate influence as detrimental to shareholder value. This result provides further support to the management interest hypothesis, indicating that corporate advocacy in governance rulemaking serves entrenched managerial interests at the expense of shareholders.

Overall, our findings highlight the significant influence of public firms on governance regulations. This dynamic raises important questions about how to improve the rulemaking process to ensure that governance regulations effectively align the interests of managers and shareholders, promote market integrity, and enhance investor confidence. Policymakers might consider reducing the disproportionate influence of financially resourceful entities, such as public firms, in the public comment process. Furthermore, regulators could explore mechanisms to encourage broader shareholder participation, such as structured shareholder engagement sessions, and prioritize input from a more diverse set of stakeholders. Additionally, increasing transparency in corporate advocacy could enhance managerial accountability and allow investors to better assess whether a firm's regulatory engagements align with shareholder value maximization.

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Appendix A: Classification of comment submitter

We classify comment submitter into 11 categories:

Category	Definition	Examples
Public Companies	Publicly traded firms listed on U.S. stock exchanges, excluding investment companies (SIC code 6268)	Apple Inc., ExxonMobil, FedEx
Private Companies	Non-publicly traded corporations	Cargill, Koch Industries, Mars Inc.
Trade Associations	Organizations representing industry/business sectors	U.S. Chamber of Commerce, Business Roundtable, National Association of Manufacturers
Legal Consulting Firms	Law firms and compliance consultancies	Sullivan & Cromwell LLP, Skadden, Arps, Slate, Meagher & Flom LLP
Institutional Investors	Asset managers, pension funds, and investment firms	BlackRock, Vanguard, CalPERS
Labor Unions	Organizations representing workers and employee interests	AFL-CIO, SEIU (Service Employees International Union)
Government Agencies & SROs	Federal, state, or international regulatory bodies and self-regulated organizations	U.S. Department of Labor, FINRA
Elected Politicians	U.S. Senators, Representatives, or other elected officials	Senator Elizabeth Warren, Representative Patrick McHenry
Academics	Professors, researchers, and scholars	Lucian Bebchuk, John C. Coffee Jr., David F. Larcker
Individuals	Private citizens who are not affiliated with an organization and do not hold elected office	Governance activists (e.g., James McRitchie) and individual investors
Other Non-Profit Organizations	NGOs and advocacy groups	Pacific Legal Foundation, R Street Institute, Public Citizen

Appendix B: Prompts Used in ChatGPT-4 Analysis

To ensure transparency and reproducibility in our methodology, we use ChatGPT-4 to systematically evaluate textual content for the following purposes: 1) generate sophistication scores for SEC comment letters, 2) classify comment letters into pro-management, pro-shareholder, and neutral categories, 3) determine whether changes between proposed and final rules are material, and 4) generate governance impact scores for the proposed rules. Below, we provide the specific prompts used for each task.

B.1: Prompt for Generating Sophistication Scores

We employ ChatGPT-4 to evaluate each comment letter based on four key dimensions: substantiation, expertise, clarity, and engagement. Each letter is assigned both an overall sophistication score and individual component scores, accompanied by a justification for the assessment.

The full prompt is as follows:

You are an expert in regulatory analysis and natural language processing. Your task is to assess the level of sophistication in SEC comment letters submitted during rulemaking processes.

Instructions:
For each comment letter provided, analyze and quantify its sophistication based on the following criteria:
1. Substantiation – Does the letter support its claims with empirical data, legal precedents, or well-reasoned arguments? References to legal precedents, empirical data, or financial analysis should be explicit, well-cited, and relevant to the discussion.
2. Expertise – Does the letter demonstrate deep knowledge of securities regulation, financial principles, or legal frameworks?
3. Clarity – Is the letter well-structured, logically developed, and easy to understand? Letters that lack logical flow, excessively use rhetorical questions, or are disorganized should receive a low score.
4. Engagement – Does the letter directly address specific sections of the SEC's proposed rule and provide constructive, well-reasoned feedback? Does it offer clear recommendations rather than general complaints or accusations? Letters that rely on broad attacks, emotionally charged language, or unstructured arguments should score lower.

Output Format:

For each letter, provide:
1. An overall sophistication score (1-10), where 1 is unsophisticated and 10 is highly sophisticated.
2. Individual scores (1-10) for each of the four criteria:
(i)Substantiation Score: 1 (unsubstantiated) to 10 (highly substantiated).
(ii)Expertise Score: 1 (lacking expertise) to 10 (demonstrates deep expertise).
(iii)Clarity Score: 1 (unclear, disorganized) to 10 (highly structured and clear).
(iv)Engagement Score: 1 (minimal engagement) to 10 (fully engaged, compelling argument).
3. A brief justification (2-3 sentences) explaining the scores based on the criteria above.

Please ensure that your output is in JSON format, following the structure below:
{“Overall sophistication score”: 8, “Substantiation score”: 6, “Expertise score”: 9, “Clarity score”: 8, “Engagement score”: 9, “Brief justification”: “The letter presents a well-structured argument, cites relevant SEC rules and financial data, and directly engages with the proposal. However, it lacks empirical support for one of its key claims.”}
{“Overall sophistication score”: 3, “Substantiation score”: 1, “Expertise score”: 3, “Clarity score”: 6, “Engagement score”: 2, “Brief justification”: “The letter expresses a strong opinion but lacks detailed legal or financial reasoning and does not provide data-driven evidence.”}

Analyze the following comment letters and provide their overall and individual sophistication scores accordingly. Below is the content of the comment letter:
{Letter Content}

Please strictly follow the JSON structure provided above for your output. Carefully read the definitions of each score category and ensure that your evaluation is strictly based on the content of the letter.

Do not fabricate content or generate hallucinated information.

B.2: Prompt for Classification of Comment Letters by Stance

To systematically classify comment letters as pro-management, pro-shareholder, or neutral, we utilize ChatGPT-4 with a structured prompt designed to ensure an objective, rigorous, and consistent classification process. The model assesses the content of each letter to determine whether it advocates for reduced regulatory oversight and managerial discretion (pro-management), supports increased shareholder rights and transparency (pro-shareholder), or does not clearly align with either stance (neutral).

The full prompt is as follows:

You are a staff member of the U.S. Securities and Exchange Commission (SEC), responsible for analyzing comment letters submitted during rulemaking processes. Please maintain a neutral and rigorous attitude while completing the task.

Please carefully read the following content and determine if the letter advocates for pro-management or pro-shareholder positions. Below is the letter content.

{Letter content}

Now, please determine which of the following categories the letter falls into:
(1) Pro-management letters: Those that favor reducing regulatory oversight of managerial decisions, reducing compliance burdens and costs, or expanding the discretion and authority of corporate management.
(2) Pro-shareholder letters: Those that advocate for regulations or practices that enhance shareholder rights, increase transparency, or impose additional scrutiny on management's actions.
(3) Neutral letters: Those that do not fall under either of the above categories.

Please note that your response should be strictly one of the numbers: 1, 2, or 3, where 1 represents Pro-management; 2 represents Pro-shareholder; 3 represents Neutral.

Do not output any additional content. Do not hallucinate, do not make up factual information.

B.3: Prompt for Classification of Changes Between Proposed and Final Rules

To systematically classify changes between proposed and final rules as material or non-material, we first identify all changes between a proposed rule and its corresponding final rule by systematically comparing the two versions. For each identified change, we extract the relevant sections from both the proposed and final rules and input them into ChatGPT-4, instructing it to evaluate whether the change constitutes a material change.

The full prompt is as follows:

You are a staff member of the U.S. Securities and Exchange Commission (SEC), responsible for reviewing regulatory documents and assessing modifications made during the rulemaking process. Please maintain a neutral and rigorous attitude while completing the task. Here are the proposed and final versions of a policy provision:

Proposed Rule:
{Proposed rule section}

Final Rule:
{Final rule section}

Please review both versions carefully and determine whether there is a material change between the proposed version and the final version. Output only "Yes" or "No," where "Yes" indicates a material change and "No" indicates no material change. Do not hallucinate or fabricate factual information.

B.4: Prompt for Generating Governance Impact Scores of Rules

To assess the governance impact of each proposed rule in our sample, we use ChatGPT-4 to assign a score based on the extent to which it limits managerial discretion and enhances oversight and transparency.

The full prompt is as follows:

You are a corporate governance expert. For the SEC proposed rule provided below, evaluate its impact on corporate governance by assessing the extent to which it limits managerial discretion and enhances oversight and transparency. Assign a score from 1 to 10, where 1 indicates minimal impact and 10 signifies a substantial effect. Please provide a brief explanation for the score assigned. Do not hallucinate or fabricate factual information.

{Proposed rule title and text}

B.5: Prompt for Generating Similarity Scores Between Comment Letters

To assess the degree of alignment between public firms' comment letters and those submitted by trade associations or legal consulting firms, we use ChatGPT-4 to generate a similarity score for each pair of letters submitted on the same proposed rule. The score captures similarity along three key dimensions: issue alignment (i.e., whether the letters address the same regulatory topics), stance similarity (i.e., whether they take the same position on those topics), and argument similarity (i.e., whether they use similar reasoning or justifications).

The full prompt is as follows:

You are given two comment letters submitted in response to a proposed SEC governance-related rule: the first submitted by a public company and the second submitted by a trade association or a legal consulting firm.

Please evaluate the letters along three dimensions:

1. *Issue Alignment – To what extent do the two letters discuss the same policy issues, topics, or regulatory concerns?*
2. *Stance Similarity – When the same issue is discussed in both letters, do the two parties adopt a similar position or viewpoint (e.g., both support or oppose the same provision, or suggest similar changes)?*
3. *Argument Similarity – Do the two letters offer the same or closely related arguments or reasoning in support of their shared stance on a given issue? Consider whether they justify their positions using similar logic, evidence, principles, or interpretations (e.g., citing consistency with PCAOB standards, advocating managerial discretion, etc.).*

Scoring Guidelines:

- *0: The letters discuss completely different issues or take opposing positions on shared issues.*
- *1–6: The letters address overlapping issues and adopt similar stances but use different reasoning or emphasize different concerns.*
- *7–10: The letters cover the same issues, take the same positions, and offer similar justifications or reasoning.*

Output:

- *Similarity Score: [0–10]*
- *Justification: In 2–3 sentences, summarize the key overlapping issues and explain how closely the stances and arguments align.*

Briefly justify your score in 2–3 sentences, citing the key issues discussed and how closely the stances and arguments align.

{Comment Letter 1}
{Comment Letter 2}

Appendix C: Examples of citations in aligned and misaligned material changes

The two snapshots provided below are excerpts from the SEC's final rule *Insider Trading Arrangements and Related Disclosures*, focusing on the discussion of the cooling-off period for Rule 10b5-1 trading plans. These excerpts illustrate how the SEC cites comment letters expressing opposing views on the originally proposed 120-day cooling-off period. Snapshot 1 features comment letters cited in footnote 48, which support the proposed 120-day cooling-off period. Snapshot 2 features comment letters cited in footnote 52, which argue that the 120-day period is too long. Since the final rule shortens the cooling-off period, this change is misaligned with the position of the letters cited in footnote 48 and aligned with that of the letters cited in footnote 52.

Snapshot 1: Letters cited in misaligned material changes

b. Comments on the Proposed Amendments

Commenters expressed a range of views on the proposed cooling-off periods. Many commenters expressed general support for a cooling-off period for directors and officers.[47] Several of these commenters supported the proposed cooling-off period of 120 days.[48] For example, one commenter agreed that the proposed 120-day cooling-off period would deter officers and directors from adopting or modifying a Rule 10b5-1 plan while aware of material nonpublic information and prevent insiders from gaming Rule 10b5-1 plans by opportunistically canceling trades or modifying plans.[49] In addition, in expressing the view that this duration was

48 *See, e.g.*, letters from AFL-CIO, CII, CO PERA, ICGN, Public Citizen, O'Reilly, and NASAA.

Snapshot 2: Letters cited in aligned material changes

At the same time, many commenters, including several commenters that expressed support for a cooling-off period for directors and officers, contended that the duration of the proposed cooling-off period was unnecessarily long.[52] For example, some of these commenters asserted that a 120-day cooling-off period would discourage insiders from adopting Rule 10b5-1 plans[53] and therefore result in larger, more concentrated volumes of insider-directed trades taking place during trading windows rather than being spread out under a Rule 10b5-1 plan, which

52 *See, e.g.*, letters from Federal Regulation of Securities Committee of the Business Law Section of the American Bar Association ("ABA"); ACCO Brands Corp. ("ACCO"); Chevron Corp. ("Chevron"); Cravath; Davis Polk; DLA; Dow Inc. ("Dow"); Empire State Realty Trust ("Empire Trust"); FedEx Corporation ("FedEx"); Fenwick; HR Policy Association Center on Executive Compensation ("HRPA"); Jones Day; Kirkland & Ellis ("Kirkland"); Manulife, National Association of Manufacturers ("NAM"); National Venture Capital Association ("NVCA"); New York City Bar Association ("NYC Bar"); NYSE; Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul Weiss"); PNC; Quest Diagnostics Inc. ("Quest"); William Quinn ("Quinn"); US Chamber of Commerce (letter dated Apr. 1, 2022) ("Chamber of Chamber 2"); American Property Casualty Insurance Association, American Securities Association, Center On Executive Compensation, U.S. Chamber of Commerce, Nareit, National Association of Manufacturers, and NIRI: The Association for Investor Relations ("Coalition Letter"); Shearman & Sterling LLP ("Shearman"); SIFMA 3; Simpson Thacher & Bartlett LLP ("Simpson"); Sullivan; and Wilson, Sonsini, Goodrich & Rosati ("Wilson Sonsini").

Appendix D: Variable Definition

Variable	**Definition**
Submission of Comment Letter	Dummy variable indicating whether a firm submitted a comment letter for a rule (1 = Yes, 0 = No).
Number of Net Aligned Material Changes	The difference between the number of times a letter is cited in discussions of aligned material changes in the final rule and that in discussions of misaligned material changes. A letter is aligned with a material change if the letter is cited in the discussion of the change and the change is the direction favored by the letter. Conversely, a letter is misaligned with a material change if the letter is cited in the discussion of the change but the final rule moves in the opposite direction.
Log Citation Count	Log one plus the number of times that a letter is cited in the final rule.
Public Firms	Dummy variable indicating whether the comment letter is submitted by a public company. Public companies are defined as US-incorporated firms listed on NYSE, NASDAQ, or AMEX, excluding investment companies classified under SIC code 6268 (investment advisory services).
Public Firms: *Pro-Mgmt*	Dummy variable indicating whether a comment letter submitted by a public firm advocates for a pro-management position as classified by ChatGPT.
Public Firms: *Other*	Dummy variable indicating whether a comment letter submitted by a public firm advocates for a pro-shareholder or neutral position as classified by ChatGPT.
Other Submitter Type indicators	A set of indicator variables for other letter submitter types, including private firms, trade associations, legal consulting firms, institutional investors, labor unions, government agencies/SROs, elected politicians, academics, individuals, and other non-profit organizations. See Appendix A for detailed definitions and examples of each category.
Size	Firm size, measured as the natural logarithm of total book assets.
Sales Growth	Percentage growth in sales revenue.
ROA	Return on Assets, calculated as net income divided by total book assets.
Leverage	Total book value of long-term debt divided by total book assets.
Market-to-Book	Market value of equity divided by book value of equity.
SG&A	Selling, general, and administrative expenses as a percentage of total book assets.
Cash	Cash and cash equivalents as a percentage of total book assets
CAPEX	Capital expenditures as a percentage of total book assets.
PPE	Property, plant, and equipment as a percentage of total book assets.
Institutional Ownership	Percentage of shares outstanding owned by institutional investors.
Prior-Year Return	Stock return over the year before the proposed rule.
Proposal Date CAR [-1,1]	Cumulative abnormal return around the date the rule is proposed, measured from one day before to one day after the proposal date.
Industry HHI	Herfindahl-Hirschman Index (HHI) for industry concentration, calculated as the sum of squared market shares, based on firm sales, in the Fama-French 48 industry.
CEO-Chairman Duality	Dummy variable indicating whether the CEO also serves as the chairman of the board (1 = Yes, 0 = No).
Fraction of Ind. Directors	Fraction of independent directors on the board.
Exec Political Alignment	Dummy variable indicating whether a CEO's political orientation aligns with the party in control of the White House (1 = Yes, 0 = No). The CEO's political orientation is sourced from Dane M. Christensen's website and is based on personal political contributions recorded by the Federal Election Commission. A CEO is classified as aligned with the party in power if their "Politics" score matches the political affiliation of

Variable	Definition
	the sitting U.S. president (e.g., Democrat-leaning if the president is a Democrat and Republican-leaning if the president is a Republican).
Exec Political Alignment Missing	Dummy variable indicating whether data on CEO political alignment is missing (1 = Missing, 0 = Not Missing).
Overall Sophistication	A composite score reflecting the overall sophistication of a letter, calculated based on its level of substantiation, expertise, clarity, and engagement. The score ranges from 1 (least sophisticated) to 10 (most sophisticated).
High Governance Impact	Dummy variable indicating whether a rule's substantiveness score is above the median (1 = Yes, 0 = No). The substantiveness score captures the extent to which the rule limits managerial discretion and enhances oversight and transparency.

Table 1 Governance-Related Rules

This table presents 25 governance-related rules finalized by the SEC between 2007 and 2023. Individual rules are grouped into four broad categories, namely anti-fraud, disclosure, executive compensation, and shareholder rights. For each rule, the table presents the rule title, proposal year, final rule year, number of days in the comment period, and number of public comments received.

	Proposal Year	Final Rule Year	Comment Period Days	Number of Comments Received
Full Sample			66.52	264.80
By Rule Type				
Anti-Fraud				
(1) Securities Whistleblower Incentives and Protections	2010	2011	44	248
(2) Whistleblower Program Rules	2018	2020	81	134
(3) Insider Trading Arrangements and Related Disclosures	2022	2022	78	160
Disclosure				
(4) Definition of the Term Significant Deficiency	2006	2007	68	238
(5) Interactive Data to Improve Financial Reporting	2008	2009	63	84
(6) Amendments to Financial Disclosures About Acquired and Disposed Businesses	2019	2020	87	40
(7) Modernization of Regulation S-K Items 101, 103, and 105	2019	2020	75	91
(8) Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information	2020	2020	89	36
(9) Administration of the Electronic Data Gathering, Analysis, and Retrieval System	2020	2020	59	12
(10) Updating EDGAR Filing Requirements and Form 144 Filings	2020	2022	90	72
(11) Share Repurchase Disclosure Modernization	2021	2023	107	165
(12) Modernization of Beneficial Ownership Reporting	2022	2023	60	693
(13) Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure	2022	2023	61	174
Executive Compensation				
(14) Shareholder Approval of Executive Compensation and Golden Parachute Compensation	2010	2011	31	66
(15) Listing Standards for Compensation Committees	2011	2012	30	58
(16) Pay Ratio Disclosure	2011	2015	68	1,510
(17) Disclosure of Hedging by Employees, Officers and Directors	2015	2018	70	24
(18) Listing Standards for Recovery of Erroneously Awarded Compensation	2015	2022	75	65
Shareholder Rights				
(19) Electronic Shareholder Forums	2007	2008	67	599
(20) Shareholder Proposals Relating to the Election of Directors	2007	2007	67	195
(21) Amendments to Rules Requiring Internet Availability of Proxy Materials	2009	2010	27	26
(22) Universal Proxy	2016	2021	75	57
(23) Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8	2019	2020	90	1,171
(24)Exemptions From the Proxy Rules for Proxy Voting Advice	2019	2020	61	644
(25) Proxy Voting Advice	2021	2022	40	59

Table 2 Summary Statistics on Comment Letters

This table presents summary statistics on the textual characteristics, citation likelihood, and positions of comment letters submitted in response to SEC governance rules. Panel A reports the number of letters, average word count, and measures of letter sophistication, including the overall sophistication score and its components (substantiation, expertise, clarity, and engagement), for the full sample of letters as well as by comment submitter type. The scores range from 1 (least sophisticated) to 10 (most sophisticated). The panel also reports the percentage of letters cited in the final rule. Panel B categorizes letters as pro-management, pro-shareholder, or neutral for the full sample and by comment submitter type. Pro-management letters favor reducing regulatory oversight, compliance burdens, or expanding managerial discretion. Pro-shareholder letters advocate for stronger shareholder rights, increased transparency, or enhanced managerial scrutiny. Neutral letters do not clearly align with either position.

Panel A Letter Sophistication and Likelihood of Being Cited in the Final Rule

	Num of Letters	Word Count	Overall Sophistication	Substantiation	Expertise	Clarity	Engagement	% of Being Cited
Full Sample	6,621	1,319	4.84	3.90	4.86	5.94	5.18	23.20
By Comment submitter Type								
Public Firms	327	2,186	7.14	6.47	7.70	7.36	7.58	60.55
Private Firms	216	2,246	6.42	5.89	6.85	6.82	6.98	42.59
Trade Associations	311	3,526	7.40	6.86	7.88	7.41	7.98	57.88
Legal Consulting Firms	197	3,137	8.22	7.52	8.74	7.78	8.55	71.07
Institutional Investors	834	2,680	7.52	6.86	7.94	7.55	8.08	51.68
Labor Unions	44	1,621	7.34	7.05	7.55	7.64	8.16	45.45
Gov. Agencies/SROs	44	1,929	7.20	6.64	7.68	7.30	7.84	34.09
Elected Politicians	45	2,230	7.42	7.16	7.71	7.58	7.89	42.22
Academics	188	5,091	6.89	6.32	7.32	6.98	7.23	34.04
Individuals	4,122	368	3.36	2.22	3.15	5.07	3.58	6.55
Other Non-Profit Org.	293	2,906	6.73	6.25	6.91	7.11	7.44	36.52

Panel B The Position of Letters

	Pro-Management		Pro-Shareholder		Neutral / Neither	
	%	Num	%	Num	%	Num
Full Sample	21.95	1,453	75.00	4,966	3.05	202
By Comment submitter Type						
Public Firms	96.02	314	2.75	9	1.22	4
Private Firms	46.30	100	50.00	108	3.70	8
Trade Associations	73.63	229	24.12	75	2.25	7
Legal Consulting Firms	76.65	151	17.77	35	5.58	11
Institutional Investors	22.90	191	75.54	630	1.56	13
Labor Unions	2.27	1	97.73	43	0.00	0
Gov. Agencies/SROs	34.09	15	61.36	27	4.55	2
Elected Politicians	8.89	4	82.22	37	8.89	4
Academics	28.72	54	70.21	132	1.06	2
Individuals	8.35	344	88.28	3639	3.37	139
Other Non-Profit Org.	17.06	50	78.84	231	4.10	12

Table 3 Summary Statistics on Rule Changes and the Influence of Comment Letters

This table presents summary statistics on rule changes and the influence of comment letters in shaping SEC governance rules. Panel A summarizes rule changes in our sample of governance rules, reporting the mean, median, and total number of all changes, as well as non-material and material changes. Material changes are further categorized as pro-management, pro-shareholder, or neutral. The panel also presents the mean, median, and total number of times aligned and misaligned letters are cited in final rule discussions of material changes. A letter is aligned with a material change if the letter is cited in the discussion of the change and the change is the direction favored by the letter. Conversely, a letter is misaligned with a material change if the letter is cited in the discussion of the change but the final rule moves in the opposite direction. Panel B reports summary statistics on the number of times a letter is cited in discussions of aligned and misaligned material changes in the final rule, as well as citation counts for the sample of comment letters. It presents the mean and standard deviation for these variables across the full sample of letters and the mean values by comment submitter type. *Number of Net Aligned Material Changes* is calculated as the difference between the number of times a letter is cited in discussions of aligned material changes in the final rule and that in discussions of misaligned material changes. Citation counts are the number of times a letter is referenced in the final rule.

Panel A Rule Changes

	Mean	Median	Total
# of All Changes	5.96	5.00	149
# of Non-Material Changes	4.00	3.00	100
# of Material Changes	1.96	1.00	49
# of Pro-Management Material Changes	1.12	0.00	28
# of Pro-Shareholder Material Changes	0.52	0.00	13
# of Neutral Material Changes	0.32	0.00	8
# of Citations of Aligned Letters	26.12	9.00	653
# of Citations of Misaligned Letters	15.92	0.00	398

Panel B Number of Aligned/Misaligned Changes and Citation Counts

	# of Aligned Material Changes	# of Misaligned Material Changes	# of Net Aligned Material Changes	Citation Counts
Full sample				
Mean	0.10	0.06	0.04	1.50
Standard Deviation	0.42	0.33	0.47	4.65
By Comment submitter Type				
Public Firms	0.33	0.10	0.24	4.19
Private Firms	0.15	0.11	0.04	2.31
Trade Associations	0.30	0.14	0.15	4.05
Legal Consulting Firms	0.43	0.10	0.34	7.44
Institutional Investors	0.20	0.12	0.08	3.76
Labor Unions	0.20	0.32	-0.11	4.18
Government Agencies/SROs	0.25	0.09	0.16	1.59
Elected Politicians	0.13	0.11	0.02	1.89
Academics	0.08	0.18	-0.10	1.54
Individuals	0.02	0.02	0.00	0.18
Other Non-Profit Organizations	0.15	0.10	0.05	2.80

Table 4 Determinants of Public Firms' Participation in SEC Governance Rulemaking

This table presents regression results on the relation between firm characteristics and the likelihood of submitting comment letters on SEC governance-related rules. The sample is a firm-rule panel that includes all US-incorporated public firms listed on the NYSE, NASDAQ, and AMEX, excluding investment companies classified under SIC code 6268 (investment advisory services), in the year before each proposed rule. The dependent variable is an indicator for whether a firm submitted a comment letter to a rule. The independent variables include firm fundamentals, financial performance, industry characteristics, and governance attributes. Standard errors are double clustered by rule and by firm and are reported in parentheses. See Appendix D for variable definitions. Column (1) includes rule fixed effects, while Column (2) additionally controls for industry fixed effects. To facilitate interpretation, all coefficients and standard errors are multiplied by 100. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

	Submission of Comment Letters	
	(1)	(2)
Log(*Size*)	0.356***	0.433***
	(0.080)	(0.102)
Sales Growth	-0.019	-0.055*
	(0.022)	(0.029)
ROA	-1.529***	-0.888**
	(0.457)	(0.396)
Leverage	-0.628***	-0.821***
	(0.200)	(0.213)
Market-to-Book	0.013*	0.009
	(0.007)	(0.007)
SG&A	0.042**	0.054***
	(0.018)	(0.020)
Cash	0.800***	0.273*
	(0.187)	(0.141)
CAPEX	0.248	-0.334
	(0.665)	(0.878)
PPE	0.576**	0.234
	(0.230)	(0.206)
Institutional Ownership	-0.737***	-1.142***
	(0.181)	(0.282)
Prior-Year Return	-0.017	-0.026
	(0.040)	(0.037)
Proposal Date CAR [-1,1]	-0.043	0.017
	(0.375)	(0.372)
Industry HHI	0.635	-1.340
	(0.452)	(0.885)
CEO-Chairman Duality	0.266***	0.243***
	(0.086)	(0.081)
Fraction of Independent Directors	0.026	0.127
	(0.088)	(0.088)
CEO Political Alignment	0.267*	0.273*
	(0.151)	(0.148)
Missing CEO Political Alignment	-0.016	0.087
	(0.077)	(0.087)
Rule FE	Yes	Yes
Industry FE	No	Yes
Observations	68,342	68,342
Adjusted R^2	0.014	0.017

Table 5 Influence of Comment Letters by Submitter Type

This table presents regression results on the relation between comment submitter type and the influence of the letters in SEC's governance-related rulemaking. The sample includes all comment letters received for the 25 governance-related SEC rules. The dependent variable in Columns (1)–(4) is *Number of Net Aligned Changes*, calculated as the difference between the number of times a letter is cited in discussions of aligned material changes in the final rule and that in discussions of misaligned material changes. The dependent variable in Columns (5)–(8) is *Log Citation Count*, the logarithm of one plus the number of times a letter is cited in the final rule. The main independent variables are comment submitter type indicators, with academics serving as the base group. Public firms' letters are further categorized into pro-management letters and other letters (i.e., pro-shareholder letters and neutral letters). Columns (3), (4), (7), and (8) additionally control for letter characteristics including the logarithm of word counts and the sophistication score. All regressions include rule fixed effects. Standard errors are double-clustered by rule and comment submitter and reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

	Num of Net Aligned Material Changes				*Log Citation Count*			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Public Firms	0.351**		0.354*		0.510***		0.527***	
	(0.171)		(0.177)		(0.168)		(0.186)	
Public Firms: Pro-Mgmt		0.367*		0.370*		0.536***		0.552***
		(0.181)		(0.188)		(0.173)		(0.192)
Public Firms: Other		-0.022		-0.016		-0.099		-0.068
		(0.096)		(0.106)		(0.142)		(0.117)
Private Firms	0.135*	0.135*	0.150*	0.150*	0.028	0.028	0.103	0.102
	(0.078)	(0.078)	(0.084)	(0.084)	(0.120)	(0.120)	(0.120)	(0.120)
Trade Associations	0.243	0.243	0.234	0.234	0.321**	0.321**	0.278*	0.278*
	(0.147)	(0.147)	(0.152)	(0.151)	(0.129)	(0.129)	(0.146)	(0.146)
Legal Consulting Firms	0.431**	0.432**	0.418**	0.419**	0.619***	0.620***	0.564***	0.565***
	(0.184)	(0.184)	(0.187)	(0.187)	(0.170)	(0.170)	(0.168)	(0.168)
Institutional Investors	0.175	0.174	0.169	0.169	0.277***	0.276***	0.255**	0.254**
	(0.125)	(0.125)	(0.131)	(0.132)	(0.079)	(0.079)	(0.109)	(0.109)
Labor Unions	-0.006	-0.007	-0.004	-0.005	0.426**	0.425**	0.441**	0.440**
	(0.128)	(0.128)	(0.127)	(0.127)	(0.153)	(0.153)	(0.173)	(0.173)
Government Agencies/SROs	0.235	0.235	0.238	0.238	-0.026	-0.026	-0.003	-0.003
	(0.182)	(0.182)	(0.190)	(0.190)	(0.113)	(0.113)	(0.127)	(0.127)
Elected Politicians	0.074	0.073	0.072	0.071	-0.058	-0.059	-0.061	-0.061
	(0.117)	(0.117)	(0.127)	(0.127)	(0.101)	(0.101)	(0.126)	(0.126)
Individuals	0.056	0.055	0.134	0.133	-0.519***	-0.519***	-0.147	-0.148
	(0.083)	(0.083)	(0.090)	(0.090)	(0.123)	(0.123)	(0.149)	(0.150)
Other Non-Profit Organizations	0.133	0.132	0.135	0.134	-0.030	-0.031	-0.019	-0.020
	(0.092)	(0.092)	(0.097)	(0.097)	(0.106)	(0.106)	(0.102)	(0.102)
Log(*Words*)			0.029*	0.029*			0.153***	0.154***
			(0.015)	(0.015)			(0.027)	(0.027)
Overall Sophistication			0.006	0.006			0.019	0.018
			(0.009)	(0.008)			(0.013)	(0.013)
Rule FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6,621	6,621	6,621	6,621	6,621	6,621	6,621	6,621
Adjusted R^2	0.057	0.058	0.062	0.064	0.452	0.454	0.502	0.503

Table 6 Influence of Public Firms' Letters by the Governance Impact of the Rules

This table presents regression results on the relation between comment submitter type and the influence of the letters in SEC's governance-related rulemaking across rules with different levels of governance impact. The sample includes all comment letters received for the 25 governance-related SEC rules. The dependent variable in Columns (1)–(2) is *Number of Net Aligned Material Changes*, calculated as the difference between the number of times a letter is cited in discussions of aligned material changes in the final rule and that in discussions of misaligned material changes. The dependent variable in Columns (3)–(4) is *Log Citation Count*, the logarithm of one plus the number of times a letter is cited in the final rule. The main independent variables are comment submitter type indicators, with academics serving as the base group. Public firms' letters are further categorized into pro-management letters and other letters (i.e., pro-shareholder letters and neutral letters). *High Governance Impact* is an indicator that equals one if the substantiveness score for the proposed rule, which captures the extent to which it limits managerial discretion and enhances oversight and transparency, is above the median. All regressions include rule fixed effects and control for letter characteristics including the logarithm of word counts and the overall sophistication score. Standard errors are double-clustered by rule and comment submitter and reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

	Num of Net Aligned Material Changes		*Log Citation Count*	
	(1)	(2)	(3)	(4)
Public Firms × High Gov. Impact	0.323**		0.510**	
	(0.156)		(0.188)	
Public Firms: Pro-Mgmt × High Gov. Impact		0.356*		0.545**
		(0.177)		(0.196)
Public Firms: Other × High Gov. Impact		-0.245		0.025
		(0.199)		(0.175)
Public Firms	0.197		0.279	
	(0.119)		(0.190)	
Public Firms: Pro-Mgmt		0.199		0.291
		(0.120)		(0.195)
Public Firms: Other		0.140		-0.075
		(0.094)		(0.105)
Private Firms	0.152*	0.152*	0.106	0.105
	(0.082)	(0.082)	(0.116)	(0.116)
Trade Associations	0.236	0.236	0.281*	0.281*
	(0.152)	(0.152)	(0.143)	(0.142)
Legal Consulting Firms	0.420**	0.421**	0.567***	0.568***
	(0.186)	(0.187)	(0.164)	(0.164)
Institutional Investors	0.178	0.178	0.268**	0.269**
	(0.130)	(0.131)	(0.101)	(0.100)
Labor Unions	0.007	0.008	0.459**	0.460**
	(0.124)	(0.125)	(0.168)	(0.167)
Government Agencies/SROs	0.244	0.244	0.006	0.006
	(0.188)	(0.188)	(0.123)	(0.123)
Elected Politicians	0.083	0.084	-0.043	-0.042
	(0.125)	(0.125)	(0.121)	(0.120)
Individuals	0.141	0.140	-0.136	-0.137
	(0.087)	(0.087)	(0.143)	(0.144)
Other Non-Profit Organizations	0.142	0.142	-0.008	-0.008
	(0.095)	(0.095)	(0.098)	(0.098)
Log(*Words*)	0.028*	0.029**	0.152***	0.153***
	(0.014)	(0.014)	(0.027)	(0.027)
Overall Sophistication	0.005	0.004	0.018	0.017
	(0.007)	(0.007)	(0.013)	(0.012)
Rule FE	Yes	Yes	Yes	Yes
Observations	6,621	6,621	6,621	6,621
Adjusted R^2	0.067	0.069	0.507	0.508

Table 7 Influence of Public Firms' Comment Letters by Similarity to Trade Associations and Legal Consulting Firms

This table examines whether public firms' comment letters are more influential when their content aligns more closely with submissions from trade associations and legal consulting firms, both of which predominantly advocate for pro-management positions. The sample includes all comment letters received for the 25 governance-related SEC rules. The dependent variable in Columns (1)–(2) is *Number of Net Aligned Material Changes*, calculated as the difference between the number of times a letter is cited in discussions of aligned material changes in the final rule and that in discussions of misaligned material changes. The dependent variable in Columns (3)–(4) is *Log Citation Count*, the logarithm of one plus the number of times a letter is cited in the final rule. The main independent variables are comment submitter type indicators, with academics serving as the base group. Public firms' letters are further categorized into pro-management letters and other letters (i.e., pro-shareholder letters and neutral letters). We use OpenAI's GPT-4 to generate a similarity score between each pair of letters submitted on a given rule—one from a public firm and the other from a trade association or legal consulting firm. *Public Firms*: *High Similarity* equals one for public firm's letters with a similarity score above the median, and *Public Firms*: *Low Similarity* equals one if the similarity score is below the median. Similarly, *Public Firms*: *Pro-Mgmt & High Similarity* and *Public Firms*: *Pro-Mgmt & Low Similarity* equals one for public firms' pro-management letters with a similarity score above or below the median, respectively. All regressions include rule fixed effects and control for letter characteristics including the logarithm of word counts and the overall sophistication score. Standard errors are double-clustered by rule and comment submitter and reported in parentheses. p-values of F-tests comparing coefficients for high/low similarity groups (b_1 vs. b_2 and b_3 vs. b_4) are reported in brackets. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

	Num of Net Aligned Material Changes		*Log Citation Count*	
	(1)	(2)	(3)	(4)
Public Firms: *High Similarity* (b_1)	0.424*		0.639***	
	(0.218)		(0.200)	
Public Firms: *Low Similarity* (b_2)	0.272*		0.395**	
	(0.134)		(0.174)	
Public Firms: *Pro-Mgmt & High Similarity* (b_3)		0.433*		0.664***
		(0.224)		(0.206)
Public Firms: *Pro-Mgmt & Low Similarity* (b_4)		0.293*		0.416**
		(0.147)		(0.181)
Public Firms: *Other*		-0.016		-0.068
		(0.106)		(0.117)
Private Firms	0.151*	0.150*	0.103	0.102
	(0.084)	(0.084)	(0.120)	(0.120)
Trade Associations	0.235	0.235	0.279*	0.279*
	(0.152)	(0.152)	(0.146)	(0.146)
Legal Consulting Firms	0.419**	0.420**	0.565***	0.566***
	(0.187)	(0.187)	(0.168)	(0.168)
Institutional Investors	0.170	0.170	0.256**	0.256**
	(0.132)	(0.132)	(0.109)	(0.109)
Labor Unions	-0.004	-0.004	0.442**	0.441**
	(0.127)	(0.127)	(0.173)	(0.173)
Government Agencies/SROs	0.239	0.239	-0.002	-0.002
	(0.190)	(0.190)	(0.127)	(0.127)
Elected Politicians	0.073	0.072	-0.059	-0.060
	(0.127)	(0.127)	(0.125)	(0.125)
Individuals	0.133	0.133	-0.148	-0.149
	(0.089)	(0.090)	(0.149)	(0.149)
Other Non-Profit Organizations	0.135	0.135	-0.019	-0.019
	(0.097)	(0.097)	(0.101)	(0.101)
Log(*Words*)	0.029*	0.030*	0.154***	0.154***
	(0.015)	(0.015)	(0.027)	(0.026)
Overall Sophistication	0.005	0.005	0.018	0.018
	(0.008)	(0.008)	(0.013)	(0.013)
Rule FE	Yes	Yes	Yes	Yes
p-value from F-tests comparing b_1 vs. b_2 and b_3 vs. b_4	[0.065]*	[0.080]*	[0.009]***	[0.001]***
Observations	6,621	6,621	6,621	6,621
Adjusted R^2	0.064	0.064	0.503	0.504

Table 8 Stock Market Reactions to Successful Corporate Engagement

This table presents an event study analysis examining the cumulative abnormal returns (CARs) of firms that submitted comment letters around the release of SEC final rules. Panel A reports the 3-day CARs around the release date [-1, 1], while Panel B reports the 5-day CARs [-2, 2]. We report market-adjusted and industry-adjusted CARs. Market-adjusted CARs are calculated as the difference between a firm's actual returns and the returns on the CRSP value-weighted index. Industry-adjusted CARs are calculated as the difference between a firm's actual returns and the corresponding returns of its Fama-French 48-industry portfolio. Each panel first reports the CARs for all public firms that submitted comment letters on SEC governance rules. We then partition the sample into two groups: (1) firms whose comment letters are cited in the final rule and contribute to aligned pro-management material changes in the final rule and (2) firms whose comment letters do not contribute to aligned pro-management material changes. The last row in each panel reports the difference in CARs between these two groups. Standard errors are double-clustered by rule and firm and are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A 3-Day CARs Around Final Rule Releases

	Market-Adjusted CAR [-1, 1] (%)	*Industry-Adjusted CAR* [-1, 1] (%)
All Public Firm Comment Submitters ($N = 253$)	0.302	0.253
	(0.186)	(0.163)
(1) Cited in Aligned Pro-Management Material Changes ($N = 67$)	-0.718**	-0.412*
	(0.351)	(0.244)
(2) Not Cited in Aligned Pro-Management Material Changes ($N = 186$)	0.676**	0.497*
	(0.272)	(0.261)
Difference Between (1) and (2)	1.394***	0.909**
	(0.407)	(0.369)

Panel B 5-Day CARs Around Final Rule Releases

	Market-Adjusted CAR [-2, 2] (%)	*Industry-Adjusted CAR* [-2, 2] (%)
All Public Firm Comment Submitters ($N = 253$)	0.334	0.288
	(0.337)	(0.331)
(1) Cited in Aligned Pro-Management Material Changes ($N = 67$)	-0.785	-0.623
	(0.539)	(0.486)
(2) Not Cited in Aligned Pro-Management Material Changes ($N = 186$)	0.744*	0.622
	(0.436)	(0.453)
Difference Between (1) and (2)	1.529**	1.245**
	(0.652)	(0.558)

Internet Appendix for

Comments that Count: Corporate Influence in SEC Governance Rulemaking

(Intended for Online Publication)

Table IA-1 Examples of Comment Letters

This table presents the examples of letters that are pro-management in Panel A, pro-shareholder in Panel B, and neutral/neither pro-management or pro-shareholder position in Panel C.

Panel A Pro-Management Letters

Rule Title	Comment Submitter	Letter URL	Classification Reason
Listing Standards for Recovery of Erroneously Awarded Compensation	Christine P. Richards, Executive Vice President, FedEx Corporation	https://www.sec.gov/comments/s7-12-15/s71215-31.pdf	FedEx expresses concerns about the SEC's proposed rule on clawback policies. The company recommends several modifications to the proposal that would limit its impact on management, including narrowing the scope of affected executives, excluding certain compensation types, and granting board discretion, all of which aim to limit the circumstances under which clawbacks would be enforced and preserve managerial discretion over compensation matters.
Shareholder Approval of Executive Compensation and Golden Parachute Compensation	Dannette L. Smith, Secretary of the Board, UnitedHealth Group	https://www.sec.gov/comments/s7-31-10/s73110-19.pdf	UnitedHealth Group opposes mandatory disclosure of how shareholder votes influence executive compensation decisions. The company argues that such disclosure would be redundant given the high shareholder approval rates and could lead to boilerplate statements. This stance seeks to preserve managerial discretion and limit external influences on executive compensation, which aligns with pro-management positions.
Pay Ratio Disclosure	Cary Klafter, Vice President Legal and Corporate Affairs, and Corporate Secretary, Intel Corporation	https://www.sec.gov/comments/s7-07-13/s70713-658.pdf	Intel expresses concerns about the practicality and utility of the pay ratio disclosure rule, highlighting potential compliance challenges and questioning its value to investors. By emphasizing the burdens on companies and suggesting limited benefits, Intel's stance aligns with management's interest in minimizing regulatory obligations.
Shareholder Proposals Relating to the Election of Directors	Lawrence L. Hooper, Jr., Vice President, Secretary and General Counsel, The Adams Express Company	https://www.sec.gov/comments/s7-16-07/s71607-593.pdf	The Adams Express Company supports the SEC's proposal to reaffirm the exclusion of shareholder proposals seeking proxy access for director nominations. By opposing measures that would allow shareholders greater influence in director elections, the company aims to preserve existing board nomination processes, aligning with management's preference to control board composition.
Exemptions From the Proxy Rules for Proxy Voting Advice	Neil A. Hanson, Vice President, Investor Relations and Secretary, Exxon Mobil Corporation	https://www.sec.gov/comments/s7-22-19/s72219-6742834-207796.pdf	Exxon Mobil Corporation supports increased regulation of proxy advisory firms, advocating for measures that would require these firms to allow companies to review and comment on proxy voting advice before it is issued. This position seeks to mitigate the influence of proxy advisors on shareholder voting, thereby preserving management's ability to communicate its perspectives effectively.
Securities Whistleblower Incentives and Protections	Sterling H. McDonald, Chief Financial Officer, and Greg S. Goodale, Chief Accounting Officer, Evolution Petroleum Corporation	https://www.sec.gov/comments/s7-33-10/s73310-154.pdf	Evolution Petroleum raises concerns about the SEC's whistleblower program, suggesting that whistleblowers should be required to utilize internal company reporting mechanisms before approaching the SEC. This stance aims to give management the opportunity to address potential issues internally, thereby maintaining control over the company's compliance processes and potentially reducing external scrutiny.

Panel B Pro-Shareholder Letters

Rule Title	Comment Submitter	Letter URL	Classification Reason
Exemptions From the Proxy Rules for Proxy Voting Advice	Marcie Frost, Chief Executive Officer, CalPERS	https://www.sec.gov/comments/s7-22-19/s72219-6744092-207880.pdf	CalPERS opposes the proposed proxy advisor rule because it would disenfranchise shareholders by making the proxy voting process more costly, complex, and less useful for institutional investors without improving information quality. The letter argues that requiring proxy advisors to submit their recommendations to companies before sending them to their paying clients would compromise advisor independence and create more conflicts of interest, primarily benefiting corporate executives.
Procedural Requirements and Resubmission Thresholds Under Exchange Act Rule 14a-8	Brandon Rees, Deputy Director, Corporations and Capital Markets, AFL-CIO	https://www.sec.gov/comments/s7-23-19/s72319-6744323-207881.pdf	AFL-CIO opposes the SEC's proposed amendments to Rule 14a-8, which would raise the ownership and resubmission thresholds for shareholder proposals. The letter argues that these changes would disenfranchise shareholders, particularly smaller investors, by making it more difficult to submit proposals that promote corporate accountability. This stance supports shareholders' rights to influence corporate governance, aligning with pro-shareholder interests.
Electronic Shareholder Forums	Warren L. Mart, General Secretary-Treasurer and Trustee, International Association of Machinists and Aerospace Workers	https://www.sec.gov/comments/s7-16-07/s71607-497.pdf	The letter opposes SEC proposals S7-16-07 and S7-17-07, arguing that they would roll back investor rights related to shareholder resolutions and director elections. It emphasizes that limiting shareholders' ability to hold boards accountable could erode investor confidence and contradict the SEC's mission to maintain fair and efficient markets.
Modernization of Beneficial Ownership Reporting	Elliott Investment Management L.P.	https://www.sec.gov/comments/s7-06-22/s70622-279518.pdf	Elliott argues that the SEC's proposed amendments to beneficial ownership reporting would hinder shareholder activism by expanding the definition of beneficial ownership and shortening filing deadlines. The letter asserts that these changes could stifle constructive engagement between shareholders and companies, ultimately harming all shareholders.
Shareholder Proposals Relating to the Election of Directors	Barry McAnarney, Executive Director, Central Laborers' Pension Fund	https://www.sec.gov/comments/s7-16-07/s71607-354.pdf	The Fund opposes the proposed rule that would restrict shareholders' rights related to director elections. The letter argues that the proposed rule would significantly diminish investors' ability to hold corporate boards accountable, which is particularly problematic given recent corporate scandals involving backdated stock options and unjustified executive compensation.
Pay Ratio Disclosure	Alan Spatrick, Managing Principal, Meketa Investment Group	https://www.sec.gov/comments/s7-07-13/s70713-300.pdf	The letter supports the implementation of Section 953(b) of the Dodd-Frank Act, which requires disclosure of the pay ratio between CEOs and median employees. It argues that such transparency serves shareholders' interests by providing better insight into executive compensation practices, thereby promoting accountability and informed investment decisions.

Table IA-2 Examples of Material Changes

This table presents examples of material changes that are classified as pro-management (Panel A) or pro-shareholder (Panel B). For each example, we provide the rule title, the relevant provision in the proposed rule, the corresponding provision in the final rule, and a brief explanation of why the change is classified as pro-management or pro-shareholder.

Panel A: Pro-management material changes

Rule Title	Proposed Rule	Final Rule	Classification Reason
Insider Trading Arrangements and Related Disclosures	Directors and officers required to observe a 120-day cooling-off period before trading under newly adopted or modified Rule 10b5-1 plans.	Cooling-off period reduced to the later of 90 days after adoption or two business days following disclosure in a periodic report.	Shorter cooling-off period grants management greater flexibility and reduces trading restrictions.
Shareholder Approval of Executive Compensation and Golden Parachute Compensation	Disclosure of decision on frequency of say-on-pay votes required promptly in Forms 10-K and 10-Q.	Disclosure allowed via Form 8-K at a later date, rather than immediate periodic reports.	Allowing delayed disclosure provides management more time to deliberate and respond to shareholder feedback.
Pay Ratio Disclosure	Firms required to identify a new median employee each fiscal year for pay ratio calculation.	Firms allowed to identify median employee once every three years unless significant changes occur.	Reducing frequency of median employee identification eases the administrative burden, increasing managerial discretion over compliance processes.

Panel B: Pro-shareholder material changes

Rule Title	Proposed Rule	Final Rule	Classification Reason
Whistleblower Program Rules (Rule 21F-9)	Whistleblowers required to strictly follow specified submission methods with no mechanism to correct non-compliance.	Introduces a 30-day waiver mechanism for whistleblowers to correct initial submission errors, broadening participation.	Encourages more whistleblower disclosures, improving investor protection and oversight.
Listing Standards for Recovery of Erroneously Awarded Compensation	Compensation clawbacks triggered only by "Big R" restatements (material errors requiring amendment of past filings).	Expanded to include both "Big R" and "little r" restatements (material errors even if corrected within current period).	Broadens conditions triggering clawbacks, limiting management's ability to avoid recovery of erroneously awarded compensation.
Shareholder Approval of Executive Compensation and Golden Parachute Compensation	No exemption proposed for smaller reporting companies from immediate compliance with say-on-pay and frequency votes.	Smaller reporting companies temporarily exempted from initial compliance with say-on-pay voting requirements until January 2013, facilitating orderly implementation.	Protects shareholder interests by ensuring smaller firms eventually comply, while allowing adequate preparation time for meaningful disclosure.

Table IA-3 Summary Statistics of Public Firms

This table presents summary statistics on firm characteristics for the public firm sample used in Table 4. The sample consists of 68,342 firm-rule observations for all firms with common stock listed on the NYSE, AMEX, or NASDAQ exchanges, excluding investment advisory companies (SIC 6268), in the fiscal year preceding the proposal date of a governance-related SEC rule. All variables are winsorized at the 1% and 99% levels. For each variable, we report the mean, standard deviation, 25^{th} percentile, median, and 75th percentile.

	Mean	**SD**	**25th**	**Median**	**75th**
Submission ($\times$100)	0.35	5.87	0.00	0.00	0.00
Size ($ million)	6,106.45	18,411.53	174.91	812.04	3,226.27
Sales Growth	0.13	0.52	-0.06	0.06	0.18
ROA	-0.01	0.06	-0.01	0.00	0.02
Leverage	0.19	0.21	0.01	0.12	0.30
Market-to-Book	2.92	5.50	1.03	1.77	3.36
SG&A	0.39	0.81	0.10	0.23	0.40
Cash	0.14	0.17	0.02	0.08	0.19
CAPEX	0.04	0.05	0.01	0.02	0.05
PPE	0.21	0.23	0.04	0.12	0.30
Institutional Ownership	0.59	0.32	0.32	0.68	0.87
Prior-Year Return	0.11	0.49	-0.18	0.06	0.31
Proposal Date CAR [-1,1]	0.00	0.05	-0.02	0.00	0.02
Industry HHI	0.10	0.07	0.06	0.08	0.11
CEO-Chairman Duality	0.34	0.47	0.00	0.00	1.00
Fraction of Independent Directors	0.63	0.32	0.58	0.75	0.86
Exec Political Alignment	0.20	0.40	0.00	0.00	0.00
Exec Political Alignment Missing	0.60	0.49	0.00	1.00	1.00

Table IA-4 Determinants of Public Firms' Pro-Management Comment Letter Submissions

This table presents regression results on the relation between firm characteristics and the likelihood of submitting pro-management comment letters on SEC governance-related rules. The sample is a firm-rule panel that includes all US-incorporated public firms listed on the NYSE, NASDAQ, and AMEX, excluding investment companies classified under SIC code 6268 (investment advisory services), in the year before each proposed rule. The dependent variable is an indicator for whether a firm submitted a pro-management comment letter to a rule. The independent variables include firm fundamentals, financial performance, industry characteristics, and governance attributes. Standard errors are double clustered by rule and by firm and are reported in parentheses. See Appendix D for variable definitions. Column (1) includes rule fixed effects, while Column (2) additionally controls for industry fixed effects. To facilitate interpretation, all coefficients and standard errors are multiplied by 100. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

	Submission of Pro-Management Letters	
	(1)	(2)
Log(*Size*)	0.347***	0.422***
	(0.080)	(0.102)
Sales Growth	-0.016	-0.054*
	(0.020)	(0.028)
ROA	-1.561***	-0.886**
	(0.444)	(0.388)
Leverage	-0.648***	-0.844***
	(0.197)	(0.210)
Market-to-Book	0.009*	0.006
	(0.005)	(0.005)
SG&A	0.042**	0.055***
	(0.018)	(0.020)
Cash	0.734***	0.208
	(0.188)	(0.140)
CAPEX	0.170	-0.315
	(0.602)	(0.762)
PPE	0.595***	0.236
	(0.215)	(0.200)
Institutional Ownership	-0.706***	-1.104***
	(0.182)	(0.285)
Prior-Year Return	-0.018	-0.025
	(0.040)	(0.037)
Proposal Date CAR [-1,1]	-0.104	-0.046
	(0.346)	(0.341)
Industry HHI	0.638	-1.190
	(0.432)	(0.851)
CEO-Chairman Duality	0.274***	0.251***
	(0.082)	(0.078)
Fraction of Independent Directors	0.004	0.103
	(0.083)	(0.085)
CEO Political Alignment	0.229	0.235*
	(0.144)	(0.142)
Missing CEO Political Alignment	-0.024	0.080
	(0.072)	(0.082)
Rule FE	Yes	Yes
Industry FE	No	Yes
Observations	68,342	68,342
Adjusted R^2	0.014	0.016

Table IA-5 Influence of Public Firms' Letters by Administration

This table presents regression results on the relation between comment submitter type and the influence of the letters in SEC's governance-related rulemaking, distinguishing between rules proposed under Democratic and Republican administrations. The sample includes all comment letters received for the 25 governance-related SEC rules. The dependent variable in Columns (1)–(2) is *Number of Net Aligned Material Changes*, calculated as the difference between the number of times a letter is cited in discussions of aligned material changes in the final rule and that in discussions of misaligned material changes. The dependent variable in Columns (3)–(4) is *Log Citation Count*, the logarithm of one plus the number of times a letter is cited in the final rule. The main independent variables are comment submitter type indicators, with academics serving as the base group. Public firms' letters are further categorized into pro-management letters and other letters (i.e., pro-shareholder letters and neutral letters). *Democratic Control* is an indicator that equals one if the rule is proposed under a Democratic administration. *High Governance Impact* is an indicator that equals one if the substantiveness score for the proposed rule, which captures the extent to which it limits managerial discretion and enhances oversight and transparency, is above the median. All regressions include rule fixed effects and control for letter characteristics including the logarithm of word counts and the overall sophistication score. Standard errors are double-clustered by rule and comment submitter and reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

	Num of Net Aligned Material Changes		*Log Citation Count*	
	(1)	(2)	(3)	(4)
Public Firms × Democratic Control	0.333**		0.332	
	(0.123)		(0.196)	
Public Firms: Pro-Mgmt × Democratic Control		0.358**		0.359*
		(0.134)		(0.197)
Public Firms: Other × Democratic Control		-0.351		-0.336
		(0.249)		(0.227)
Public Firms	0.094		0.177	
	(0.102)		(0.181)	
Public Firms: Pro-Mgmt		-0.043		0.223
		(0.058)		(0.139)
Public Firms: Other		0.132		-0.044
		(0.090)		(0.101)
Public Firms × High Gov. Impact	0.159	0.181	0.347*	0.372*
	(0.134)	(0.147)	(0.185)	(0.184)
Private Firms	0.163*	0.163*	0.116	0.116
	(0.081)	(0.081)	(0.117)	(0.116)
Trade Associations	0.241	0.241	0.286*	0.286*
	(0.153)	(0.152)	(0.141)	(0.141)
Legal Consulting Firms	0.427**	0.428**	0.574***	0.576***
	(0.186)	(0.186)	(0.163)	(0.163)
Institutional Investors	0.178	0.179	0.269**	0.269**
	(0.129)	(0.130)	(0.100)	(0.100)
Labor Unions	0.003	0.003	0.455**	0.455**
	(0.123)	(0.123)	(0.171)	(0.171)
Government Agencies/SROs	0.242	0.242	0.004	0.004
	(0.188)	(0.188)	(0.122)	(0.122)
Elected Politicians	0.086	0.087	-0.040	-0.039
	(0.123)	(0.123)	(0.119)	(0.118)
Individuals	0.148	0.148*	-0.128	-0.128
	(0.087)	(0.086)	(0.141)	(0.142)
Other Non-Profit Organizations	0.144	0.144	-0.006	-0.006
	(0.094)	(0.094)	(0.098)	(0.098)
Log(*Words*)	0.026*	0.026*	0.150***	0.151***
	(0.014)	(0.013)	(0.028)	(0.027)
Overall Sophistication	0.008	0.007	0.021	0.020
	(0.007)	(0.007)	(0.014)	(0.013)
Rule FE	Yes	Yes	Yes	Yes
Observations	6,621	6,621	6,621	6,621
Adjusted R^2	0.071	0.073	0.508	0.509

Table IA-6 Stock Market Reactions Around Proposed Rule Releases and Comment Letter Submissions

This table presents an event study analysis examining the cumulative abnormal returns (CARs) of firms that submitted comment letters on SEC governance rulemakings. Panels A reports CARs around the release of the proposed rule, while Panel B reports CARs around the comment letter submission date. We compute market-adjusted and industry-adjusted CARs over two windows: a 3-day window ([-1, 1]) and a 5-day window ([-2, 2]). Market-adjusted CARs are calculated as the difference between a firm's actual returns and the returns on the CRSP value-weighted index. Industry-adjusted CARs are calculated as the difference between a firm's actual returns and the corresponding returns of its Fama-French 48-industry portfolio. Each panel first reports the CARs for all public firms that submitted comment letters on SEC governance rules. We then partition the sample into two groups: (1) firms whose comment letters are cited in the final rule and contribute to aligned pro-management material changes in the final rule and (2) firms whose comment letters do not contribute to aligned pro-management material changes. The last row in each panel reports the difference in CARs between these two groups. Standard errors are double-clustered by rule and firm and are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A CARs Around Proposed Rules

	Market-Adj. CAR [-1, 1] (%)	*Industry-Adj. CAR* [-1, 1] (%)	*Market-Adj. CAR* [-2, 2] (%)	*Industry-Adj. CAR* [-2, 2] (%)
All Public Firm Comment Submitters ($N = 253$)	0.394*	0.294*	0.160	0.170
	(0.203)	(0.163)	(0.290)	(0.248)
(1) Cited in Aligned Pro-Management Material Changes ($N = 67$)	0.694*	0.410	0.384	0.115
	(0.398)	(0.270)	(0.321)	(0.254)
(2) Not Cited in Aligned Pro-Management Material Changes ($N = 186$)	0.284	0.252	0.078	0.190
	(0.206)	(0.191)	(0.381)	(0.321)
Difference Between (1) and (2)	-0.410	-0.158	-0.306	0.075
	(0.388)	(0.341)	(0.513)	(0.420)

Panel B CARs Around Comment Letter Submissions

	Market-Adj. CAR [-1, 1] (%)	*Industry-Adj. CAR* [-1, 1] (%)	*Market-Adj. CAR* [-2, 2] (%)	*Industry-Adj. CAR* [-2, 2] (%)
All Public Firm Comment Submitters ($N = 253$)	-0.206	-0.162	-0.387	-0.305
	(0.184)	(0.133)	(0.285)	(0.203)
(1) Cited in Aligned Pro-Management Material Changes ($N = 67$)	-0.200	-0.198	-0.493	-0.574*
	(0.470)	(0.273)	(0.519)	(0.296)
(2) Not Cited in Aligned Pro-Management Material Changes ($N = 186$)	-0.208	-0.150	-0.348	-0.206
	(0.204)	(0.156)	(0.333)	(0.257)
Difference Between (1) and (2)	-0.008	0.048	-0.145	0.368
	(0.365)	(0.271)	(0.571)	(0.437)

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