

SCC Email Alert
7/14/2010

Subject: SEC Concept Release on the U.S. Proxy System

The Securities and Exchange Commission (SEC) today approved a wide-ranging Concept Release on proxy voting and shareholder communications issues. The issuance of the Concept Release was approved unanimously by the five Commissioners.

The Release, which is expected to be posted on the SEC's website later today, is organized into three general areas: (1) the accuracy, transparency, and efficiency of the voting process; (2) issues involving shareholder communications and participation in the proxy process; and (3) the relationship between voting power and economic interest.

The specific issues that will be explored in the Release include:

- over-voting and under-voting of shares;
- proxy vote confirmation;
- proxy voting by institutional securities lenders;
- proxy distribution fees;
- issuers' ability to communicate with beneficial owners of securities;
- potential means to facilitate retail investor voting participation;
- data-tagging proxy-related materials;
- the role of proxy advisory firms;
- dual record dates; and
- "empty voting."

In response to the issuance of the SEC's Concept Release, the Shareholder Communications Coalition issued the following statement:

The Shareholder Communications Coalition (Coalition) applauds today's approval by the Securities and Exchange Commission (SEC) of a Concept Release on proxy voting and shareholder communications issues. Since 2005, the Coalition has advocated that the SEC undertake a comprehensive review of the proxy infrastructure that serves investors holding shares in more than 12,000 public companies.

In the view of the Coalition, there are significant issues with the current system that need to be addressed, including:

- Eliminating barriers between public companies and their beneficial owners holding shares in "street name," so that companies are able to know who their shareholders are and can communicate with them directly. Beneficial owners wishing to remain anonymous should be permitted to register their shares in a nominee or custodial account with their broker or bank.

- Improving the integrity of the proxy voting system and ensuring that proxy votes are transparent and verifiable.
- Fostering competition among proxy service providers. Companies should be able to select the distributors of their communications and should not be forced to pay for a system in which proxy fees and intermediary services are determined by third parties.
- Addressing the influence of proxy advisory services, which have an oversized impact on the proxy voting process. These firms should be subject to increased SEC oversight and should be required to make additional public disclosures regarding their standards, methodologies, and conflicts of interest.

With a 90-day comment period for the Concept Release, investors, public companies, and other interested parties have a unique opportunity to communicate their views to the SEC on the important issues and topics raised by the Concept Release. The Coalition welcomes this long-overdue evaluative process and intends to be an active participant in the public policy discussions that will now begin in earnest.

For more information on the Coalition's recommendations for addressing the proxy voting and shareholder communications system, click on the following link to read the organization's Discussion Draft on Public Company Proxy Voting, dated August 4, 2009: <http://www.shareholdercoalition.com/CoalitionDiscussionDraftAug2009.pdf>

Thank you for your interest in the Shareholder Communications Coalition.

Niels Holch
Executive Director