

[Home](#) / [IR magazine](#) / [News and blogs](#) / [Breaking news](#)

Altman floats proxy system revamp

Oct 29, 2009

[back](#)

Fighting the drop-off in retail voting by unmasking beneficial shareholders

Ken Altman cares passionately about fixing the proxy system. More than three years after he began pushing his reform plans, he believes their time has arrived. In an 18-page letter to the SEC last week, Altman formalized his proposal to overhaul proxy voting rules and create an all beneficial owner (ABO) system.

The founder of the Altman Group, a proxy solicitation and governance consulting firm, first floated his ABO idea in 2006 and suggested it to the SEC in 2007 when the commission began looking at changing Rule 452. Now that the SEC has made that change, which will eliminate the broker vote in director elections, the retail vote will be all but gone and institutional investors and their proxy advisers will have a lot more power.

Altman says an ABO system, giving companies access to all their shareholders without having to go through intermediaries like Broadridge, would increase retail voter participation.

'The SEC is ready to make a change regarding NOBOs, OBOs and the Broadridge monopoly. Someone had to present a real alternative,' Altman says in an interview with IR magazine.

The key difference between Altman's proposal and others, like the NIRI-backed Shareholder Communications Coalition plan to change the OBO/NOBO system, is that companies would get ABO lists only for shareholder meetings or for corporate actions like rights offerings and tender offerings.

'Limiting the number of times a year an issuer can gain access to the information is a practical approach to meeting the needs of corporations without infringing on the rights of institutions to the secrecy of ownership,' Altman says.

Altman says his ABO solution wouldn't need any structural changes. Under the current system, a company can request a NOBO list from Broadridge. Broadridge could instead start providing lists of NOBOs and OBOs together – that is, ABOs.

Notice and access (N&A) has already led to lower retail voting, which adds impetus to Altman's proposal. Companies could balance out the declining vote by using ABO lists to make direct contact with shareholders.

Altman's proposal goes further, with ideas for resolving empty voting problems and moving back record dates. Plus he has come up with a plan to let companies volunteer a list of agenda items in advance of the record date so institutions have time to recall loaned shares. Finally, he puts forward an inexpensive way to educate retail investors about voting: brokers could include the information about the 452 change and the need for retail investor votes with their regular client statements.

Altman says it's unlikely the SEC could propose a NOBO/OBO change, gather comments and enact it in time for the 2010 proxy season, although it would be possible if the commission expedited the process the way it's doing with N&A changes.

'My ABO idea has been out there for three and a half years, but now we have a proactive chairman and a commission that's eager to balance out the changes in the system,' Altman concludes.

The ABO proposal can be downloaded from the Altman Group's website:
www.altmangroup.com.

By Neil Stewart

[back](#)

[back to top](#)

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