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Transfer Agents Take to Web to Promote Proxy Reform

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Some of the U.S.' largest transfer agents, led by Computershare, are using the Internet to promote their stance on how the Securities and Exchange Commission should change "plumbing" in the proxy industry.

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The new website called reformtheproxy.com promotes the recommendations put forth by the Washington D.C. based lobbying group Shareholder Communications Coalition (SCC) and includes a short animated video. That video depicts the challenges of the current process whereby issuers send out proxy materials to Street name shareholders through financial intermediaries.

Joining Computershare in the initiative are the American Stock Transfer & Trust; BNY Mellon; Continental Stock Transfer, and Registrar & Transfer Co. Transfer agents administer the accounts of shareholders who are recorded on the books of corporations under their own names. Street name or beneficial shareholders are known to issuers only by the names of the financial intermediaries holding their accounts.

"Today, issuers still cannot identify all of their shareholders, a legacy of a system that was created in the 1970's and 1980's. In 2010, the practical and technological reasons for maintaining the current system are either no longer valid or can be readily remedied," says Paul Conn, president of Computershare in New York.

Computershare, also the world's largest transfer agent, says that 60 percent of the U.S. corporate clients it services support reforms relating to increasing transparency of share ownership and facilitating more direct communications to shareholders.

On July 14, the SEC asked for public comment by October 20 on a number of changes to the current proxy distribution and voting practice.

Among the questions the regulator asked were whether it should eliminate or reduce the ability of investors to hide their identities from corporations by categorizing themselves as "objecting beneficial shareholders" (OBOS); whether the New York Stock Exchange's fees structure should be eliminated in favor of allowing the marketplace to determine the appropriate fees; and whether retail investors can or should provide their broker-dealers with standing instructions on how they want to vote their shares.

The SCC wants the SEC to reduce the ability of investors to remain as OBOs by hiding behind a type of nominee name with the hope the companies can communicate and send proxy materials to their beneficial shareholders directly.

Giving corporations direct access to their beneficial shareholders would allow them to have a say in who will mail or electronically distribute their proxy materials and count up their votes rather than always having to pick who the banks and brokerage firms holding their shares want. And that means Broadridge Financial.

If issuers had their choice, Broadridge would not have a stronghold in the proxy mailing and electronic distribution business. The SCC also wants the SEC to allow the NYSE to either change its fee structure for proxy distribution or eliminate it in favor of allowing the marketplace to determine the appropriate fees.