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U.S. regulators looking at shareholder anonymity

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*Companies want a better picture of shareholder base

*Balance needed between investor protection, transparency

By Emily Chasan

NEW YORK, Nov 4 (Reuters) - The U.S. Securities and Exchange Commission is exploring reforms that could provide companies with more information about the identity of their shareholders, a top agency official said on Wednesday.

Companies usually have little information about stockholders due to long-standing practices about shareholder anonymity, and many would like better ways to contact them.

Brett Breheny, deputy director of legal and regulatory policy in the SEC's Division of Corporation Finance, said on Wednesday that the SEC has been discussing changes.

"We're thinking about that," Breheny said in comments to a Practising Law Institute Conference in New York.

"Companies would like to communicate directly with their shareholders... they would like to have a picture of who their shareholder base is."

At issue is the "street name system of ownership" which dates back as far as the 1980s.

Under that system, investors who hold shares through a brokerage account can decide whether they want to be an "Objecting Beneficial Owner" (OBO) or "Non Objecting Beneficial Owner" (NOBO).

Under the rules, companies are prohibited from directly communicating with "OBO" shareholders who object to providing their names and addresses to the companies, while brokers and banks provide the information on "NOBOs" to companies.

"OBOs" are the overwhelming majority of shareholders, holding as much as 75 percent of shares, according to the Shareholder Communications Coalition, a group including the Business Roundtable, National Investor Relations Institute and Society of Corporate Secretaries and Governance Professionals.

The group asked the SEC and Congress to look into the issue a year ago.

Often shareholders don't even know which qualification they have elected. At the PLI conference, Breheny asked a hotel ballroom full of securities lawyers if they knew if they were OBO or NOBO. Only a few raised their hands.

The rules can also affect how companies send out proxy materials and they complain that it causes delays in information reaching shareholders.

Companies also argue that they don't have much ability to negotiate with brokers on the fees for forwarding materials to their clients. This, they say, creates a disincentive for companies to communicate with shareholders at a time when cheap forms of communication, such as email, are prevalent and may be preferred by shareholders.

The SEC staff has had several discussions about the issue, but is still trying to balance investor protection with arguments from companies that transparency about shareholders would improve corporate governance.

"The interesting question is whether shareholders want companies to know who they are," Meredith Cross, a director in the SEC's Division of Corporation Finance, said at the PLI conference.

"This is a difficult balance... There are some investors who have told us now that they are ready, in light of all the other reforms we've undertaken, they're ready to let the companies know who they are.

"They want better accountability from companies and the companies to listen to them, but that's not everybody."

(Editing by Ted Kerr)

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