SCC Email Alert
11/3/2011

Subject: Securities Transfer Association Letter on Managed Accounts

The Securities Transfer Association (STA) just posted on its website a letter it sent earlier this week to the Financial Industry Regulatory Authority (FINRA) about certain proxy fees being charged for separately managed accounts.

Separately managed accounts are broker-dealer discretionary accounts in which an investor delegates investment authority (and decision-making) to an investment adviser. In most circumstances, an investor in these accounts also delegates his or her proxy voting authority to the adviser.

For a number of years, corporate issuers have been charged proxy processing, suppression, and other fees at the beneficial owner level for these accounts, even though the underlying investor is not receiving any proxy materials and is not otherwise participating in the proxy voting process. Instead, only one proxy package is being provided to each broker-dealer and/or investment adviser sponsoring this type of investment program, so that it can vote in lieu of (and on behalf of) its customers.

The STA estimates that more than $50 million a year is being charged to issuers for these separately managed accounts. The STA's position is that this practice should be prohibited and any processing costs for these accounts should be the responsibility of broker-dealers and not issuers.

In this letter, the STA has asked FINRA to review the managed accounts issue, as the primary regulator of broker-dealers. This issue is also being evaluated by the New York Stock Exchange Proxy Fee Advisory Committee.

You can access this STA letter to FINRA through the following link:
http://www.stai.org/pdfs/2011-10-ketchum-letter.pdf

Many thanks for your interest.

Niels Holch
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