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Proxy sites dump one-click vote button on SEC concerns

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By Ross Kerber

BOSTON (Reuters) - Pressured by regulators, websites that help collect shareholders' votes have removed a button that set all votes as recommended by boards of directors - a controversial design that seemed to give an edge to corporate management.

The U.S. Securities and Exchange Commission had expressed concern to the sites, which cater to retail investors, that the one-click button created an uneven playing field.

The removal of the button could make it harder for boards of directors to nudge individual investors, who typically control about 30 percent of companies' shares, to vote in favor of company leaders in proxy contests.

The button set all of a shareholder's votes - such as on electing directors or enacting a poison pill takeover defense - to the recommendations issued by a company's board. It was a common fixture on leading proxy voting web sites like Broadridge Financial Solutions Inc's proxyvote.com, and similar ones like those run by Computershare Ltd and a unit of Wells Fargo & Co.

Although investors still had to click further to cast their votes, there was no competing button to set all votes against management and shareholder activists complained last year that the buttons should be eliminated.

"You have to give people a real choice," said Charles Elson, who directs a corporate governance center at the University of Delaware and has followed the debate. "When it comes to online ballots, if you design it in a way that encourages people to vote with management, that's not real choice."

Any change in proxy voting mechanics could make for tighter contests as shareholder activists challenge management.

Last year, investors managed to get 40 percent of shareholders to vote to strip JPMorgan Chase & Co Chief Executive Jamie Dimon of his chairman title. Some pension funds have requested another vote this year on the issue.

A PARTIAL WIN

Broadridge has told its corporate customers that it eliminated the button on proxyvote.com after hearing the SEC's new stance. The company, based in Lake Success, New York, explored with the SEC how "it could accommodate the SEC's new position in light of its potentially negative impact on retail voting," it said in a Dec. 20 letter to clients disclosed by legal education site thecorporatcounsel.net.

Broadridge Senior Vice President Chuck Callan told Reuters by email that the button was removed from proxyvote.com in January and from services for voting via telephones and mobile devices in February. He declined to comment further.

Thomas Kim, chief counsel of the SEC's division of corporation finance which oversees the issue, declined to comment. But in remarks at an event last month run by the Practising Law Institute, Kim called the vote-all buttons inconsistent with rules requiring even-handedness and said the SEC had told site operators of its concerns.

Most made changes, Kim said, and also tweaked systems to record votes via phones or mobile devices. The agency also spoke with corporations who in theory would have benefited from the prior setup. But no executives defended it, he said.

"Everybody acknowledged that it was actually tilted in favor of management," Kim said, according to a recording of his remarks.

An alternative would be to provide shareholders a way to vote all-against management as well, Kim said. Broadridge's letter said that option was not feasible technically.

Eliminating the pro-management button did not fully satisfy shareholder activists. When an investor does not vote on a particular question on an online ballot, the SEC still allows the sites to assign the vote as recommended by the board of directors since that mimics how paper ballots are treated.

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The new SEC approach is only "a partial win" because of the blank vote assignments, said James McRitchie, publisher of corp.gov.net and a critic of the pro-management button.

Still, eliminating the button should help equalize contests, said Adam Kanzer, member of an SEC investor advisory panel and general counsel of Domini Social Investments in New York.

"It probably biased votes," he said of the prior designs. "To set that as the default puts in your head that if you want to go against management, you have to take an extra step."

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