

The Shareholder Rights Directive – It's Time To Act



The updated Directive will have an enduring impact on global proxy voting and related services. Now is the time to plan for this mandatory change.

Custodians and other market intermediaries should by now have a growing sense of urgency in respect of their regulatory obligations for enhanced shareholder communication throughout the proxy processing lifecycle under the updated Shareholder Rights Directive (SRD II).

Widely regarded as the most comprehensive change to European corporate governance standards for many years, SRD II was introduced to drive greater transparency in corporate governance and improved shareholder engagement. SRD II, and the associated Implementing Regulation, are currently being transposed into national law by European nations, and market intermediaries are faced with a September 2020 compliance deadline.

SRDII impacts firms in Europe and beyond – many will be required to offer a proxy service for the first time.

SRD II's impact on the shareholder communication process will be felt in many quarters, and especially by intermediaries – providers of securities services – who must respond to significant new requirements on how data and information is passed along the investor communications chain. Some firms, such as the leading global custodians and CSDs, already have a strong track-record for service provision throughout the proxy lifecycle, but some nonetheless will face a requirement to enhance and extend their existing operating model to achieve SRD II compliance.

However for many other intermediaries – amongst them institutional sell-side brokers, agent banks, and an array of firms providing retail securities services including commercial banks, retail stockbrokers and other wealth service providers – SRD II mandates the first-time provision of proxy voting and related services.

And while SRD II is an EC directive, its mandate extends to intermediaries domiciled outside of the region if they hold shares in EU-based issuers listed on regulated markets.

Core focus areas for intermediaries.

Under SRD II all intermediaries, irrespective of their role in the chain, must facilitate shareholder rights. For some, the fundamental requirement to introduce an electronic proxy voting service will be an increasingly urgent consideration. However, whether introducing a service for the first time or looking to extend and enhance an existing capability, SRD II brings three themes into sharp relief:

- **Agenda distribution and voting:** Intermediaries must support the distribution of meeting agendas within stricter timeframes, reconcile votes on a daily basis, and process votes “without delay”.
- **Vote confirmation:** While the core responsibility for vote confirmation lies with the issuer, intermediaries will need to support all aspects of vote confirmation throughout the chain, including timely electronic confirmation of receipt and dissemination of post-meeting recording and counting of votes.
- **Shareholder identification:** EU-based issuers will be entitled to obtain the identity of their shareholders, requiring intermediaries holding shares in them to provide shareholder disclosure within 24 hours of receiving a disclosure request.

It's time to act.

Now is the time for impacted intermediaries to focus on SRD II. New requirements, including significantly more stringent processing deadlines and new processes such as shareholder disclosure, must be factored into securities servicing product development plans, either through in-house investments or through their specialist outsourced investor communications partner.

Broadridge invites discussion with all intermediaries impacted by SRD II. Adding to our leading global proxy technology and infrastructure, we have recently announced our new blockchain-based shareholder disclosure platform enabling intermediaries to fulfil their disclosure obligations for EU issuers.

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