

AST launches blockchain proxy campaign platform

By Tony Rifilato
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New digital tool aimed at helping to engage apathetic shareholders

New York-based AST Financial has launched a blockchain-based proxy campaign management platform aimed at helping fund shops better identify and engage with apathetic shareholders.

Paul Torre, president of governance, proxy and ownership services at AST, said it is the first blockchain tabulation and reporting system for a proxy management platform. He added that it creates an “immutable” record of vote transactions and allows AST to support campaigns of any size without compromising processing speed or data security.

“It’s an all-encompassing proxy platform,” Torre said. “It enables us to better manage proxy campaigns that we’re working on for our clients, and it also gives our clients more control over the process if they don’t want to necessarily utilize our advisory services for fairly simple campaigns to manage.”

The company, a proxy solicitation and shareholder communication services provider for asset managers, was set to have a formal launch of the product at the Investment Company Institute’s Mutual Funds and Investment Management Conference this week, which was postponed due to the spread of Covid-19. Torre said that the spread of the virus would not impact the roll out of the client-facing component of the platform, although it has impacted AST’s marketing efforts.

“We’re far enough along with this,” he said. “The platform is ready for primetime — it’s just our marketing effort has been derailed. Our folks are making sure that we’re coronavirus ready and we’ve got our plans in place. You try to plan for every contingency out there.” Other well known players in the transfer agent, registrar and proxy service space are Broadridge Financial Solutions, Computershare, SS&C, and Ultimus Fund Solutions.

“People pay us to go after the apathetic shareholders and get them to vote,” he said. “Mutual fund shareholders don’t view their open-end fund investment as a public company that they hold shares in; they view it as a high yield savings account. They’re not accustomed and conditioned to proxy materials.”

What differentiates ProxyIQ, Torre said, is its ability to provide predictive analytics and campaign management in a cost effective manner using proprietary technology. The platform analyzes shareholder behavior across the proxy campaign, and projects how to best target pockets of shareholders who did not vote, allowing for more informed strategic and cost-effective decision-making and campaign execution.

To get more shareholders to engage, ProxyIQ’s portal includes more streamlined voting options. Additionally, those who receive a proxy ballot in the mail can scan a QR code on the ballot that takes them – and automatically logs them in — to AST’s mobile voting site, making the voting process easier.

“There was some QR technology out there but it would take you to a site and then you would have to enter in a 12 digit control number,” Torre said. “It was a little cumbersome, toggling back and forth between screens.”

Additionally, the platform’s advanced analytics track voting trends to help predict how and when shareholders might vote. For example, AST bounces campaign data against 120 million institutional and retail voter records it has collected over the years to better predict who to call on certain days and times of the week – and shareholders not to bother calling at all. About 90% of shareholders, Torre said, end up voting at some point after speaking with a live representative.

“We do get a decent response, but the biggest problem is getting people on the phone,” Torre said. “If we can go in and say this percent of those in the database [are unable to be reached at certain times] we don’t have to be making all those phone calls and we can use our staff more strategically and we’re not wasting phone calls to shareholders who are not likely to vote. We want to target those who are more likely to vote.”

The platform also features a customized dashboard to keep tabs on the status of projects such as proposals and quorums, while also monitoring investor sentiment and analyzing the voting breakdown by demographic, geography and investor type.

This brings automation and technology to a process for the most part is quite manual and antiquated,” Torre said. “There has been no innovation really in the proxy world in 20 years.”

A number of companies have been making the move to blockchain technology; Broadridge is working on an artificial intelligence-led fixed income trading product and a repo market solution based on blockchain technology, while WisdomTree Investments recently invested in Securrency, a developer of blockchain-based financial and regulatory technology. Broadridge also uses blockchain technology to provide real-time proxy vote reconciliation.

AST also recently partnered with fintech company NuArca to help it develop and launch what it describes as the first blockchain-enabled proxy voting solution. AST, according to NuArca’s website, is in the process of migrating its fund and corporate share issuers to the platform, “making it one of the very first scaled production uses of blockchain technology in the financial service industry.”

NuArca last year deployed the proxy voting network on IBM’s blockchain cloud service, and is working closely with AST and IBM to extend the network to all corners of the global capital market space.

Torre said that using blockchain technology on its ProxyIQ platform will allow AST to be more intelligent in its solicitation campaigns, but acknowledged it was too soon to say whether it would solve any pain points during the current coronavirus outbreak.

“Now, with so many folks at home, our outbound calling campaign should be even more productive than under normal circumstances,” he said. “It will be interesting to see how this plays out.”

The Securities and Exchange Commission on March 13 issued guidance to assist public companies, investment companies, shareholders, and others impacted by Covid-19 with their

upcoming annual shareholder meetings, which include using virtual technology to communicate with shareholders and easing some proxy rules.

Torre said AST is expanding its virtual shareholder meeting offering to all clients and providing other assistance. All AST employees are WFH, he added, including all call center operations, as part of a BCP that he said has been running smoothly.

“I think the SEC is making some good decisive decisions to help public companies and mutual funds continue with as near business-as-usual operations,” he said.

The ICI has been pressing the SEC to reform the fund proxy system, arguing that the current requirements are too costly and are having a damaging effect on fund governance and operations.

In a letter to the SEC, the group detailed its argument to reform the fund proxy system, which includes a proposal to create a third way for registered funds to vote majority if 75% of shares vote affirmatively and those present hold more than one-third of outstanding securities.

ICI General Counsel Susan Olson said “Millions of dollars and hours are devoted to a proxy campaign to reach shareholders and obtain their votes. The case for fund proxy reform is strong, and the Commission has the opportunity to improve the system and save fund shareholders millions of dollars.”

Torre said that ProxyIQ would not solve ongoing issues around “proxy plumbing” — the informal name for the system by which proxy materials are sent to shareholders’ each year that is considered by many to be confusing, inefficient and expensive – but would help clients access more transparent data and analytics while making the proxy campaign more efficient and cost-effective.

“If proxy plumbing changes, ProxyIQ could really transform the proxy world and drive even more costs out,” he said. “The reason I don’t believe there is going to be wide change right now is because the SEC has a lot of bigger fish to fry.”

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