CII Petitions SEC to Let Shareholders “Split Their Ticket” in Proxy Contests

Washington, D.C., January 8, 2014 — The Council of Institutional Investors (CII) today petitioned the Securities and Exchange Commission (SEC) to amend its rules for contested corporate board elections so that shareholders can vote for any combination of management and dissident nominees they wish to represent them.

If adopted, this reform would simply give investors voting by proxy the same practical ability to vote their shares for their preferred mix of nominees that they would have if they attend a shareholder meeting in person. Any additional costs to participants in proxy contest would be minimal.

“Amending the rules so that each side in a contest can distribute ‘universal’ proxy cards listing all director nominees would give shareholders freedom of choice to vote for any candidate, regardless of his or her slate,” said CII Executive Director Ann Yerger. “It would also ensure a fairer, less confusing and less cumbersome voting process.”

Currently, shareholders have extremely limited ability to vote nominees from different slates. That is because the SEC’s “bona fide nominee” rule, adopted in 1966, requires opposing sides in a proxy contest to obtain the consent of opposing candidates before they can list them. Usually at least one side refuses to give consent and both sides distribute separate proxy cards listing only their nominees. Shareholders can vote using only one card. If they want to “split their ticket”—vote for candidates from both slates—they have to vote in person at the annual meeting, which can be impractical and costly.

The SEC’s 1992 “short slate” rule provides a carve-out from the consent requirement when a shareholder nominates candidates representing a minority of the board. In such cases, dissidents can list their preferred combination of shareholder and management nominees. But the short slate rule does not allow for full “mix and match” capability.

CII believes comprehensive reform is needed so that in a proxy fight, investors can vote for any combination of board candidates they believe will foster long-term shareholder value.