



AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

Digital communications with shareholders – the “dividend effect” and how to manage it.

Since our inception more than 10 years ago, Avenir Registrars has always advocated that significant efficiencies can be realised if securities issuers are willing to harness the power of digital registers and electronic communications. Over the last decade, a growing proportion of consumers and institutions alike have become increasingly comfortable relying on digital services as their primary method of communication across so many channels, but is the lack of universal adoption here really a problem and what can issuers do to make their own lives easier?

At the start of February, Avenir Registrars co-presented at a London Stock Exchange Group webinar with ONE Advisory, looking at this very subject. One key point made was the scale of the economic efficiency for all parties that could be realised by moving to electronic dividend payments and e-share certificates for those currently holding paper documents. Whilst the vast majority of investors are comfortable with this approach, issuer perception is that a small number of securities holders either want the reassurance of receiving paper cheques in the post or feel uncomfortable disclosing bank account details to the issuer or their registrar. This doesn't correlate with our real-world experience, given that the scope bad actors have to work with a bank account number, sort code and holder's name is incredibly limited.

And similarly, the process of distributing cheques via the postal service is rife with challenges that ultimately serve to increase costs for all shareholders. The basic costs associated with processing an electronic transaction can be a matter of pennies, whereas producing and mailing a cheque runs to several pounds, often exceeding the value of the cheque itself. In addition, the burden of managing unpresented cheques, issuing replacements that have gone astray and trying to track down holders to find out if there's a problem is also incredibly resource-hungry. Our experience is that any issuer that adopts an electronic dividend payments first approach are pleasantly surprised by the positive reception such an initiative gets.



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What’s more, industry data suggests that on average, issuers will lose track of between 2% and 5% of their investors as a result of a failure to update contact details. Analysis of our own records shows that this is reflective of the situation with issuers we have either had for a long time or those instances where we have facilitated migrations from other registrars. The reality is people are far more likely to move house than move bank account provider, so our focus on delivering services on an electronic-first basis does serve to strengthen the investor-issuer relationship.

The challenges are obvious enough, but is there anything issuers and their advisers can do to improve this situation? Arguably it comes down to ensuring shareholder communications are functioning well. The idea of sending any new direct shareholders a welcome pack as part of the registry process has been highlighted. Typically these will be significant investors anyway, but it provides a useful platform for encouraging securities owners to embrace the benefits of moving to a completely electronic relationship. At Avenir we have worked successfully with a growing number of issuers, helping them understand the benefits of nudging their clients towards a fully digital relationship. The number of investors who are unwilling to change continues to fall and for this cohort we can provide print based operating side-by-side with digital services, improving security and the convenience of administration by including elements such as unique QR codes on share certificates making their validity easy to check. In an ideal world we would all operate in a fully digital environment and the recommendation of the Government’s Digitisation Taskforce will be keenly watched. Ultimately the alternatives do come with a price that is paid by all shareholders equally but until then, the team at Avenir stand ready to help issuers deploy a fully electronic or hybrid securities registry model.

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