



AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

What can an Investor Relations practitioner extract from a register - and how might they use it?

In an age when companies have acute insights into the behaviour of customers, it is surprising that a similar level of knowledge isn't available when it comes to the shareholder register. It's a theme we have covered over the last couple of columns so with that in mind, what information can an Investor Relations department hope to get from a share register, how easy is it to complete that process and how do you then maintain an accurate record going forward.

The information available

Whilst the company's largest shareholders are almost certainly well known to the business, the granularity that's readily available further down the register can probably be best described as somewhat lacking. Whether that's because you have shareholders registered outside the CSD whose details are no longer up to date, or because investors have purchased via stockbrokers who are in turn holding via nominee or custodian positions, these datasets alone often aren't as helpful as some may assume.

At first pass, this can be best described as "lacking in granularity". Whilst the top five or ten shareholding entities are well known, in many instances this will include a number of nominee holders, typically well-known firms of stockbrokers, with more investors like this appearing as you work down the register. Whilst issuers have tools at their disposal to require nominees to divulge the ultimate beneficial owner, there's a widely held belief that this is an expensive exercise to conduct (it doesn't have to be) and that the data is immediately out of date but, mitigating action can also be taken here.

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What can an Investor Relations practitioner extract from a register - and how might they use it? (cont'd...)

The process

So, for a UK company, a section 793 notice can be issued which obliges the recipient to provide the company with details regarding the next level of investor or the ultimate beneficial holder. This information is then held within a register under s.808 as a record of ultimate ownership. The s.793 can be issued in various forms and historically has relied on either postal or facsimile systems to be delivered but, digital processes have now significantly reduced that operational resource and the cost and risk associated with it. Similarly, responses can now be delivered in agreed format utilising SRDII (the Shareholder Rights Directive II) standards to ensure consistency and compliance. By leveraging our technology-first approach, Avenir Registrars routinely completes these requests for its clients in a cost and time efficient manner. It's not as expensive as you may think.

Maintaining currency

Having been provided with a granular list of the underlying investors, the next challenge is ensuring it remains up to date. This can be achieved by taking the information obtained manually and using it to encourage shareholders to sign up to a relationship with the company in a digital format. Given the purpose of this relationship is to share documents that are already in the public domain, there's no risk should the investor sell their holding in the stock and any communication would come with an unsubscribe option. And for any modern marketeer, having a validated list of contacts who have a legitimate interest in knowing about a business would be seen as something of a dream project.

A footnote on digitisation

Digitisation could have been a silver bullet in terms of bringing companies and issuers closer together. However, based on the current trajectory, such an outcome now looks unlikely. At Avenir Registrars we are committed to doing all we can to bring issuers and investors closer together. A more engaged shareholder, investor and stakeholder base lends itself to more actively traded stock and in turn better valuations. Against the current backdrop of lacklustre capital markets, progress here has never been more in demand.

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