EXECUTIVE SUMMARY

Modernizing Shareholder Communication

A POLICY REVIEW OF THE OBO/NOBO FRAMEWORK IN U.S. PUBLIC MARKETS

MAY 2026

Alliance ADVISORS

alliancedvisors.com

OBO/NOBO Framework

> **Purpose of discussion:** Evaluate whether the OBO/NOBO framework, created for a paper-based market in the 1980s, still serves issuers and investors in today's digital, retail-driven environment.

> **Key policy question:** Whether the SEC should eliminate OBO status so issuers can communicate directly with all beneficial owners, while preserving legitimate privacy protections through other means.

> **Original rationale:** The framework was designed to balance shareholder communication intermediary operations, and investor privacy in a market with fewer accounts and much heavier paper-processing burdens.

Why the framework looks outdated

> Brokerage accounts have expanded dramatically since the mid-1980s, driven by low-cost brokerage platforms, ETFs, and broader retail participation.

> Using six holdings per account the number of holdings in brokerage accounts has grown from an estimated 69 million in 1985 to approximately 960 million in 2025

Year	Total Brokerage Accounts
1985	11,500,000
1995	27,200,000
2005	72,500,000
2015	82,600,000
2025	160,000,000

> As a result, what was once a narrow exception now creates a larger structural visibility gap in shareholder ownership and communications.

Main costs and inefficiencies

> Higher solicitation costs: Costs are driven by number of accounts, not shares, so issuers often must over-solicit reachable NOBO accounts because meaningful OBO positions remain invisible. In a random sample of 70 publicly traded companies across multiple market capitalization and industry sectors, 56% of all shareholder accounts were classified as NOBO, yet these accounts held only 31% of the outstanding shares, meaning the remaining 44% of accounts (the OBOs) control a disproportionate 69% of the shares, yet are entirely invisible to company management

> Disproportionate burden on smaller issuers: Small- and mid-cap companies and registered funds bear these fixed costs most acutely because solicitation expense consumes a larger share of their operating budgets.

> Governance uncertainty: Companies cannot see or engage a significant part of the true economic ownership, complicating vote forecasting, shareholder outreach, and strategic planning.

> Proxy system opacity: Opaque ownership can aggravate under-voting, over-voting, and reconciliation issues within the broader proxy plumbing system.

Why this matters now

> SEC leadership and market commentators have emphasized the need to reduce non-scalable public-company burdens and improve the competitiveness of U.S. public markets.

> The OBO/NOBO structure is a legacy rule set that can increase the recurring cost and complexity of being public without clear modern investor-protection gains.

> Better ownership transparency may also help U.S. issuers compete with jurisdictions where beneficial-owner visibility is stronger and help spot nefarious shareholders.

Recommended reform

> Eliminate OBO status: Amend Rules 14a-13, 14b-1, and 14c-7 so all beneficial owners are disclosed to issuers on NOBO-equivalent terms.

> Keep the rest of the system intact: This approach does not require a wholesale redesign of proxy mechanics; it primarily removes an outdated anonymity election from the current framework.

> Preserve legitimate privacy options: Investors seeking privacy could still use holding companies, pooled vehicles, or nominee structures rather than relying on system-wide regulatory opacity.

Expected benefits

> Lower and more predictable proxy solicitation costs, particularly for smaller issuers and retail-heavy funds.

> More direct issuer-investor engagement and potentially more representative voting outcomes.

> Better alignment with the SEC's modernization agenda and broader efforts to revitalize U.S. public markets.

Alliance
ADVISORS

Contact Sam Chandoha

Head of Corporate Affairs

schandoha@allianceadvisors.com

The Overlook Corporate Center 150 Clove Road, Suite 400, Little Falls NJ 07424