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09/08/2018

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What is a proxy firm or Institutional advisory firm? Discuss its significance and why regulating them is essential?

PROXY FIRM:

Proxy firms are Independent research outfits that evaluate the pros and cons of Corporate matters such as mergers, acquisitions, top appointments and CEO pay, which Shareholders are expected to vote on in Annual General Meetings (AGMs), Extraordinary General Meetings (EGMs). These firms engage in heavy duty analysis of the major actions that are put to vote and produce detailed reports advising shareholders on how they should swing to safeguard their interest.

SIGNIFICANCE:

Proxy firms are valuable as they fill the information gap. Institutional investors contact these firms to carry out comprehensive reviews of voting proposals that the investors can't do as they lack the time for it.

NEED FOR REGULATING PROXY FIRM:

Indian Proxy advisory firms are registered and regulated by the Securities and Exchange Board of India (SEBI). Foreign proxy advisory firms which advise foreign

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firms are not registered under it. This has led to Concentration of Voting power in the hands of few global agencies.

Thus the time has come to regulate global proxy advisory Services for listed Companies in India in the same way as local proxy Services.

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