



CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

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November 1, 2012

The Honorable Mary L. Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Concept Release on the U.S. Proxy System, File Number S7-14-10, RIN 33235-AK43

Dear Chairman Schapiro:

The U.S. Chamber of Commerce (“Chamber”) is the world’s largest business federation representing the interests of more than three million businesses of every size, sector and region. The Chamber created the Center for Capital Markets Competitiveness (“CCMC”) to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century economy. To achieve this objective, CCMC is a strong advocate for enfranchising retail shareholders and ensuring that all shareholders have an equal voice in the corporate voting process.

The CCMC has submitted several comment letters to the Securities and Exchange Commission (“SEC”) urging action to improve the proxy voting systems by enfranchising retail shareholders, providing accountability and transparency for proxy advisory firms and mechanisms to review and streamline disclosures.

In order to redress imbalances in the proxy voting system and providing retail shareholders with the same privileges as large shareholders, the CCMC respectfully requests that the SEC:

- 1. Examine possible interpretive guidance to give retail shareholders access to Client Directed Voting;**
- 2. Examine greater use of Enhanced Broker Internet Platforms;**
- 3. Encourage greater use of web-based communications and technology; and**

4. Streamline proxy disclosures.

Each of these policies are interrelated, and none, taken alone, can solve the problem of inequity in the proxy voting system that has resulted in low retail shareholder participation in corporate elections. Therefore, it is important that all of these steps be taken together.

Discussion

Retail shareholders generally invest in companies with an interest in attaining long-term growth. Cumbersome voting procedures combined with dense and confusing disclosures have driven retail shareholder participation in corporate elections to historic lows, sometimes with participation rates below 10%. By contrast, many large institutional investors are mandated to participate in corporate elections by law. These institutional investors can use a variety of tools to help streamline their voting and due diligence processes, making possible significant levels of participation.

This has created an imbalance where institutional and activist investors must vote and have tools at their disposal to facilitate this process, yet retail shareholders are not given access to a similar array of tools. Concurrently, some large activist institutional investors obtain stakes in a company to further short-term objectives through their shareholder franchise. These objectives frequently have no relation to securing long-term shareholder returns. This inequity in shareholder rights erodes confidence in, and the credibility of, the corporate election system, undermining the SEC's mission to protect the rights of all investors.

1. Examine Possible Interpretive Guidance to give Retail Shareholders Access to Client Directed Voting;

The Client Directed Voting Model ("CDV") has emerged as a response to low retail shareholder participation. While there are many formulations of CDV, all involve a process by which a retail shareholder can provide some form of advance voting instructions to an entity authorized to vote his or her shares, subject to the shareholder's ability to change the instructions, or to override them on a case-by-case basis. Adoption of the CDV model would decrease the time and other costs of retail participation in the proxy voting process, allowing retail shareholders to establish standing instructions in accordance with their overall investment philosophy and strategy and to focus research and analysis on individual companies or proxy proposals that warrant individual

attention. CDV would be easy to implement in tandem with enhanced broker internet platforms, noted below.

Allowing the use of a CDV model would give retail shareholders access to tools used by other large institutional shareholders. This innovative change could allow for greater retail shareholder involvement in corporate elections and long-term decision making processes for companies. This will create a level of fairness and equal representation that is currently lacking in the corporate election process.

2. Examine Greater Use of Enhanced Broker Internet Platforms

The considerable time and effort required to review proxy materials and vote proxies is a significant contributing factor to low voting rates among retail investors. Therefore, a solution must be put into place to make the voting process more efficient for retail shareholders. The widespread adoption of enhanced broker internet platforms would significantly reduce the time and effort to vote proxies by providing retail shareholders with an efficient tool to view proxy materials, execute voter instruction forms, and manage CDV advance voting instructions. The data strongly supports this view. In an analysis of one broker's experience with this technology during the past proxy season, its clients made 317,669 unique visits to an online investor mailbox and cast 247,067 votes. For reference, among all retail holders in the 12 months ending June 30, the voting rate was 4.7% for mailed notices and 10.2% for e-deliveries.¹

NYSE Regulation's Proxy Fee Advisory Committee's ("PFAC") recent report voiced general support for a market-based incentive fee pilot program to encourage the adoption of enhanced broker internet platforms to facilitate proxy voting. We believe that such market based innovations to increase retail investor voting should be examined by the SEC, and a pilot program, as discussed in the PFAC report, should be examined and if acceptable put into place prior to the 2013 proxy season.

3. Encourage Greater Use of Web-Based Communications and Technology

To further complement the CDV model and enhanced broker internet platforms, we recommend policies that more generally encourage broader use of technology to increase retail shareholder participation in the proxy voting process. In particular, greater use of virtual meetings would permit a greater number of shareholders to actively

¹ Source: Analysis of processing data by Broadridge Financial Solutions covering March 1 to June 1, 2012.

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participate in companies' annual meetings, where participation in physical meetings is impractical, as is often the case for retail shareholders.

4. Streamline Proxy Disclosures

Retail shareholders often refer to the difficulty of sorting through mountains of immaterial disclosures among their reasons for not voting. This is to be expected, as the quantity of information required to be disclosed has been increasing in recent years, and has expanded dramatically with the passage and implementation of Dodd-Frank. While continuing to add information requirements, the SEC has not eliminated any disclosure, though the SEC Staff has acknowledged that some disclosures may be unnecessary. In order to reverse this trend, all disclosures required to be made by issuers should be examined periodically to ensure they are providing investors with "decision useful information" and written in concise plain English.

Additionally, individual investors should receive the same level of attention as institutional investors from the SEC and other regulators. Specifically, Staff review of new and existing disclosure requirements should be evaluated from the perspective of how individual investors would use the information.

Conclusion

Retail shareholders can and should be provided with mechanisms to have more meaningful input into the corporate voting process. Through the promotion of all of these interrelated policies described above, the SEC will help to ensure the integrity of the corporate voting process for all shareholders, retail and institutional, alike.

Thank you for your attention to these important issues. We would be happy to discuss these issues further with you or the appropriate staff.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK' followed by a long horizontal flourish.

Tom Quaadman