

MEMORANDUM

July 16, 2010

To: File No. S7-11-10

From: Leigh Duffy
Division of Trading and Markets

Re: Staff Meeting with Broadridge Financial Solutions, Inc.

On July 16, 2010, representatives from Broadridge Financial Solutions, Inc. (Charlie J. Marchesani, President, Securities Processing Solutions, U.S.; Bennett Egeth, Senior Vice President, Securities Processing Solutions, U.S.; and Chuck Callan, Senior Vice President, Regulatory) and from IBM (Glenn F. Finch, Managing Partner, BAO North America) met with staff from the Division of Trading and Markets (James Brigagliano, Deputy Director; Michael Gaw, Assistant Director; Jennifer Colihan, Special Counsel; and Leigh Duffy, Attorney) and staff from the Office of Compliance Inspections and Examinations (Mark Donohue, Assistant Director and John Polise, Assistant Director). The participants discussed the Commission's proposed rule-making concerning a consolidated audit trail. Mr. Marchesani provided the attached presentation, titled "Consolidated Audit Trail (CAT) via Central Repository & Data Collection: Interactive Discussion with the SEC."



Broadridge[®]

Broadridge Financial Solutions, Inc.

**Consolidated Audit Trail (CAT)
via Central Repository & Data Collection**

Interactive Discussion with the SEC

July 2010

Who is Broadridge Financial Solutions?

A recognized industry leader

- 40+ years of experience in securities processing business
- \$2.2 billion in annual revenues, with over 5,000 associates globally
 - 41 offices in 10 countries
 - 2010: Ranked as the #1 best Large Company to work for in New York
- Ranked #1 in Datamonitor's Black Book of Outsourcing: Brokerage Processing Providers Survey in 2008 and in 2009*
- One of only nine U.S. data processing services providers to the financial services industry that is ISO 27001 certified

Provides mission-critical solutions

- Solutions for every phase of the investment lifecycle of the trade
- Pure technology and outsourcing service provider focused on global markets – we do not compete with our clients
- Banks, broker/dealers, and custodians accept us as a safe, secure custodian of confidential shareholder information
- Components of our securities processing solutions used by 8-of-the-top-10 US broker-dealers

Broadridge offerings are broad and flexible

- Multi-asset class, multi-language, multi-currency global securities processing capabilities covering over 50 markets worldwide
- Solutions range from hosted service bureau to full outsourcing – all of which are broker / custodian neutral

**Annual survey provides a valuable benchmark for banks, broker dealers and investment companies to assess customer satisfaction and client experience in comparison to other service providers*



Broadridge[®]

Our Businesses

*Best-of-Breed Service
Bureau in All Markets*

▪ **Equity, Options & Mutual Fund Trade Processing Services**

- North America: 150+ self clearing brokers
- International Trade Processing: 100+ clients

▪ **Fixed-Income Trade Processing**

- De-facto industry Standard
- +90% of Primary Dealers that outsource Fixed Income processing rely on Broadridge

▪ **Client Aggregation Services**

- Collect activity daily on behalf of our clients from over 1000 banks, broker dealers, custodians, and mutual funds

Securities Processing

Since 1962

Investor Communications

Since 1989

Operations Outsourcing

Since 2004

Trusted 3rd Party and Market Leader in E-delivery

▪ **Shareholder Communication (Proxy & Reorg)**

- 900+ clients
- Proxy vote processing in approximately 80 countries

▪ **Transaction reporting**

Back-office Reports, Confirms, Statements, 1099's, Trade Reports, Archival

19 out of the top 20 Brokerage firms process their confirming prospectus trades through Broadridge

▪ **Business Data**

40+ leading Mutual Fund clients, representing over \$3T in AuM

▪ **Fulfillment**

- Distribution of Pre- and Post-Sale Client Information

First to

- **Only FINRA approved securities operations outsourcing**
- 11 live clients representing more than 400 broker-dealers
- **BPO: 'Centers of Excellence' for non-differentiating business functions**

Our Data Processing and Data Management Infrastructure

- **Market leader in enabling secure and accurate processing of information for communications and security transactions among issuers, investors and financial intermediaries**

Investor Communications

- **World's Largest Processor and Provider of Investor Communications**
 - Uniquely trusted and relied on by the buy side, sell side and issuer communities
 - Distribute more than 1 billion investor communications annually for every broker dealer/ bank in the U.S. , in either paper or electronic form, as requested by investors
 - FY'10 Performance Statistics
 - Mailed 1.3 billion personal financial documents, with an average of 4.2 billion images printed annually, which included creating / distributing approximately 500 million statements / confirms and over 50 million prospectuses
- **Unique Proxy Network**
 - We collect over approximately 4 billion records a year from over 2,000 banks, broker dealers, and custodians, with monthly peaks of over 750,000,000 records

Securities Processing

- **Transaction Processing**
 - Process on average \$3 trillion daily in securities settlements and an average of 3 million trades per day
 - Provide clearance and settlement capabilities in over 50 markets worldwide
 - Clear and settle over 60% of fixed income primary dealer activity (all asset classes, including asset backed securities)
- **Robust Data Aggregation Solution**
 - Broadridge currently collects data from over 1000 banks and custodians on 10 million trades and 16 million positions on a daily basis
- **Reconciliation and Exception Management Tools**
 - Superior rules-based capabilities and integrated exception management from the earliest point in the trade lifecycle through to post-settlement for any type of financial instrument (including OTC) across all internal systems and external agents.

Operations Outsourcing

- **Global Reference Data Scrubbing and Maintenance**
 - Master Security Database with over 10 million unique securities
 - Fully managed enterprise solution that combines capture, scrubbing, storage and distribution

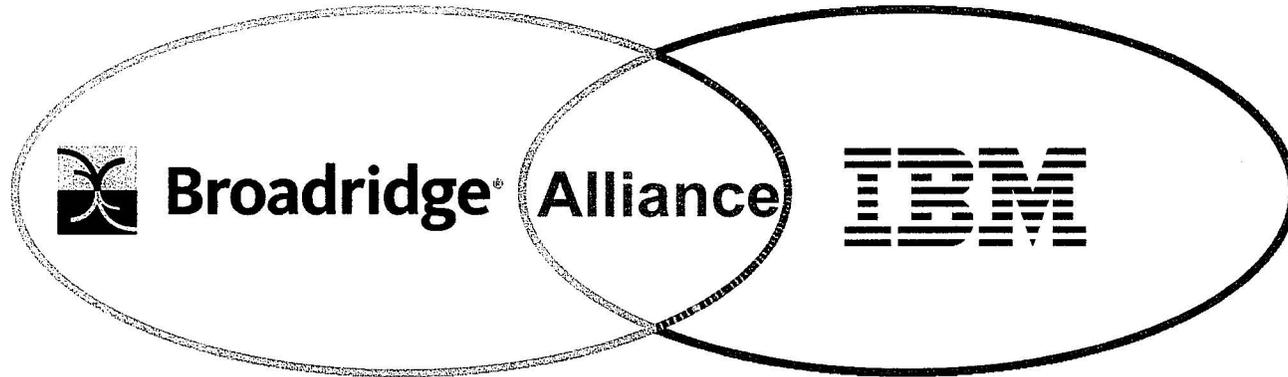
Our Data Center Infrastructure

Data Security Includes	
<ul style="list-style-type: none"> ▣ Tier IV Data Centers: Multiple active power and cooling distribution paths, redundant components, fault tolerant, providing 99.995% infrastructure availability to support core processing requirements 	✓
<ul style="list-style-type: none"> ▣ Tier III Data Centers: Highly available and resilient to support all other processing needs 	✓
<ul style="list-style-type: none"> ▣ Dual-hosting failover architecture for mission critical Tier I applications 	✓
<ul style="list-style-type: none"> ▣ Replication of hardware and software systems at primary and alternate processing sites-provides effective disaster avoidance and disaster recovery, where appropriate 	✓
<ul style="list-style-type: none"> ▣ Core products and services are routinely Disaster Recovery tested to meet client and industry expectations 	✓
<ul style="list-style-type: none"> ▣ Business Continuity Plans: Practical and table-top tested. 	✓
<ul style="list-style-type: none"> ▣ Redundant network connectivity for data and voice communications 	✓
<ul style="list-style-type: none"> ▣ Diverse carrier class telecommunication service providers 	✓
<ul style="list-style-type: none"> ▣ Uninterruptible power supply systems, generators and multiple power feeds to the facility-fully tested on a monthly basis 	✓
<ul style="list-style-type: none"> ▣ 24x7x365 network and security operations center to monitor all data center equipment and security event monitoring tools 	✓

Certifications and Assessments Supported

Assessments & Certifications Include	
<p>SAS 70 Type II Audited: Core products and services are subject to in-depth audits of control objectives and control activities</p> <ul style="list-style-type: none"> - Audits focus on controls over information technology and related processes. 	✓
<ul style="list-style-type: none"> ▣ Sarbanes-Oxley Act (SOX) audited for information security and information technology controls 	✓
<ul style="list-style-type: none"> ▣ Gramm-Leach-Bliley Act Safeguards: Adherence to GLBA standards applicable to service providers to financial institutions as determined by client contract requirements 	✓
<ul style="list-style-type: none"> ▣ ISO 9001:2000: Where appropriate, processes and procedures are documented and monitored to ensure effective controls and continual improvement 	✓
<ul style="list-style-type: none"> ▣ ISO 27001:2005: Adherence to the information security management system (ISMS) methodology 	✓
<ul style="list-style-type: none"> ▣ ISO 27001 Certified: Design, architecture, development, service delivery and print production for BPS, impact SM, ProxyPlus®, SIS and India operations - Certifications are ongoing for additional businesses and products within Broadridge 	✓
<ul style="list-style-type: none"> ▣ Canadian Institute of Chartered Accountants (CICA) Section 5970 Type II Audited: Core Canadian products and services are subject to indepth audit of control objectives and control activities - Audits focus on controls over information technology and related processes. 	✓
<ul style="list-style-type: none"> ▣ FFIEC Audited: In-depth annual audit of security and technology controls 	✓
<ul style="list-style-type: none"> ▣ Payment Card Industry (PCI) Data Security Standard: Applicable where Broadridge transmits, processes or stores credit card information 	✓

Our 'Best of Breed' Partner: IBM



✓ **Market leader enabling secure and accurate processing for securities transactions**

✓ **#1 Managed Services & Outsourcing provider worldwide**

✓ **Leading provider of services to the financial services sector**

Financial Markets Processing & Technology Solutions

*Performance, Financial Stability, Experience,
Credibility, Global Presence, Industry Leadership*

IBM: Business, industry and IT expertise, plus proven practices



Real-world experience



Real people



Real results

IBM offers:

The industry's largest number of infrastructure experts

35 years of data center management experience with over 420 client and IBM data centers under management

155 disaster recovery centers in 55 countries -- multi-vendor environments with 200+ IT hardware/software partners – with a 100% record of recovering clients' from declared disasters

Management of 2.5 million desktops and 500,000 non-IBM devices

The world's largest proprietary security knowledge base, focused on security excellence (IBM ISS X-Force)

Superior streamlined data migration designed to reduce disruptions to your business (IBM Softek™ TDMF™ - Transparent Data Migration Facility)

An integrated Global Delivery Framework that delivers compelling costs savings and increased access to subject matter experts

Unsurpassed research capabilities and "living labs" driving innovative services

Industry analyst leadership rankings in multiple services categories: IT professional services, green data center, networking, security, disaster recovery, storage, service-oriented architecture (SOA), service management, outsourcing and business process outsourcing

IBM Business Analytics and Optimization

IBM helps clients realize their strategies through information management, advanced analytics and process management while leveraging the power of smarter technology

Who we are

- IBM GBS with over 4,000+ BAO practitioners
- IBM Research, IBM's software and IBM strategic technology services
- Includes seven Analytic Solution Centers worldwide, each focused on specific business challenges
- Over \$10B in software investments
- Leveraging over \$6B in systems level R&D
- 10 years of research in services, largest math department in private industry

Process Areas

Customer analytics

Financial analytics

Supply chain analytics

Human capital analytics

Industry specific analytics

Value Leverage Points

Simplification / BAO Foundation

Advanced Customer Analytics

Finance/Risk/Fraud Analytics

BAO Services

BAO Strategy	Business Intelligence & Performance Management	Advanced Analytics and Optimization	Enterprise Information Management	Enterprise Content Management
Information Agenda	Cognos	iLog, SPSS, CBO Assets	Infosphere, MDM and Information Server	FileNet

■ IBM Consulting capabilities □ IBM SW products

IBM: Scalable Architecture for Financial Reporting

■ **Harnessing Economies of Scale for Enterprise Intelligence**

■ Scalable Architecture for Financial Reporting team

- Part of the Business Analytics and Optimization service line of IBM Global Business Services
- SWAT team specializing in high-volume extract/transform/load (ETL) processes, data warehousing, and business intelligence reporting
- Successfully implemented high-performance solutions on over 20 engagements at large corporations and government agencies over the last 15 years

■ Scalable Architecture for Financial Reporting solution

- Employs patented software with specialized processing reduction algorithms
- Highly tuned for the z/OS environment
- Marketed as an IBM Intellectual Property Services Component

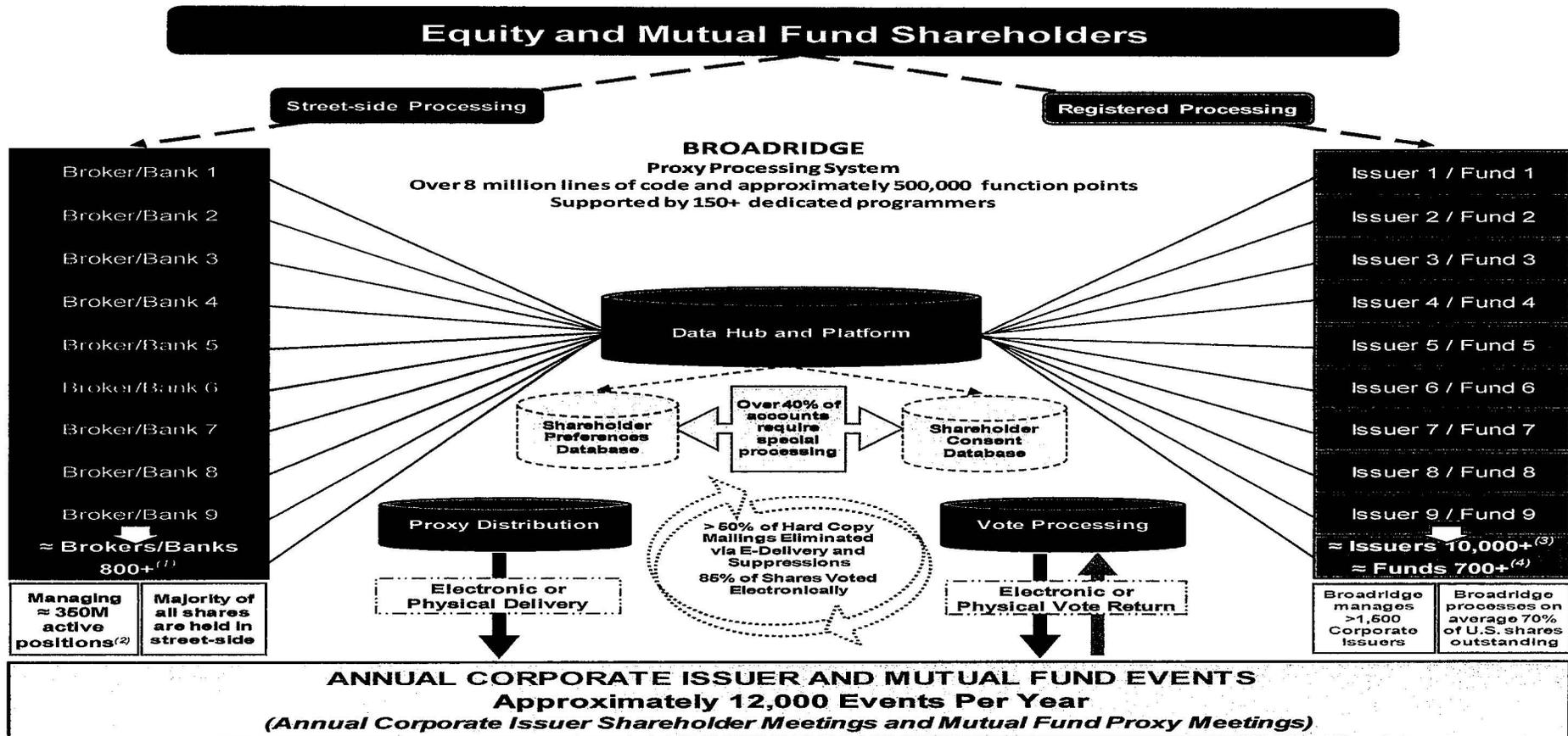
Summary of our Capabilities

Area	Core Requirements	Broadridge Proven Capabilities
Regulatory Compliance Administration	<ul style="list-style-type: none"> ▪ An independent 3rd party utility' 	<ul style="list-style-type: none"> ✓ Core Competence ▪ 40+ years of enabling the industry to conform and comply with heightened corporate governance and disclosure requirements
Breadth & Depth: Asset Coverage	<ul style="list-style-type: none"> ▪ Current: Listed equities, options, futures, fixed income ▪ Future: Asset-backed securities, exchange traded / OTC derivatives 	<ul style="list-style-type: none"> ✓ Complete coverage of key instruments ▪ Current: global trading / processing of equities, fixed income, options, and mutual funds ▪ In process: Derivatives
Connectivity Network	<ul style="list-style-type: none"> ▪ Central repository must be able to receive and collect data 	<ul style="list-style-type: none"> ✓ Maintain connectivity to all domestic exchanges ✓ Currently maintain a network to over 2,000 banks / broker dealers, and custodians; as well as 400 Mutual Fund Families
Order and Execution Information	<ul style="list-style-type: none"> ▪ Ability to collect / retain a time sequenced record of information related to all orders ▪ Information would include order origination, routing, cancellation, etc. 	<ul style="list-style-type: none"> ✓ Proven infrastructure to handle the high volume of information generated by some of the world's largest financial institutions
Data Processing	<ul style="list-style-type: none"> ▪ Data consolidation and integration 	<ul style="list-style-type: none"> ✓ Proven aggregation and integration capabilities as proven by our existing solutions ▪ Proxy plumbing for the US broker dealer and corporate issuer marketplace ▪ Investigo Data Aggregation
Data Storage / Archiving & E-Delivery	<ul style="list-style-type: none"> ▪ Central repository must retain information for at least 5 years in a directly available, searchable, and electronic format ▪ Data / information security 	<ul style="list-style-type: none"> ✓ We currently meet the record retention requirements demanded by our client base via our PostEdge Solution: E-Delivery & Report Mining Document Archiving ✓ Robust, industry leading data / info security processes

Addendum

ICS Unique Business Systems Processing Model

PROXY & INTERIMS PROCESSING OVERVIEW "THE PLUMBING"

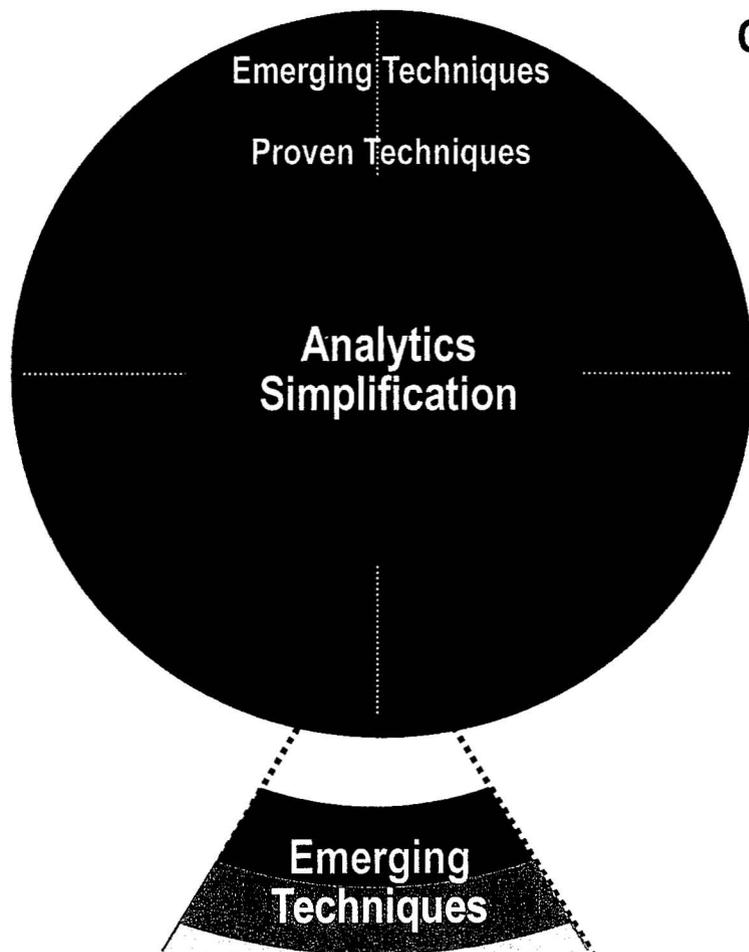


Proxy and Interim processing system is the "plumbing" supporting the voting process for corporate governance

(1) Represents Broadridge's estimated total number of brokerage firms and banks in the U.S. and international markets
 (2) Represents Broadridge's estimated total number of positions managed by U.S. brokers and banks
 (3) Represents Broadridge's estimated total number of corporate issuers in the U.S.
 (4) Represents total number of Fund Sponsors in the U.S. who manage over 16,000 funds including Mutual Funds, Closed-end Funds, ETFs and UITs, according to the Investment Company Institute's 2009 Investment Company Year Book



IBM Research is pushing the capabilities envelope with emerging techniques



Emerging Techniques span three areas of Research evolution

Commercialized

- Corporate Brand & Reputation Analysis (COBRA)
- Marketing Event Optimization (MEO)
- Loyalty Identification Focused Targeting (LIFT)
- Sales force optimization
- Enterprise forecasting
- Dynamic Inventory Optimization Solution (DIOS)
- Workforce analytics (SWOPS)

Advanced

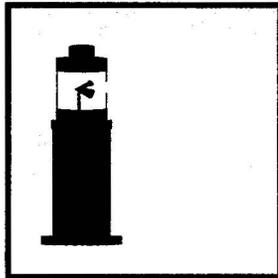
- Next Best Action (NBA)
- Social Network Analytics (SNA)
- Text/Semantic Analytics (Sentinel)
- Supply Chain Sustainability Management
- ARTEMIS: Online Analytics for Healthcare
- Situational Awareness for Enhancing Safer Transportation
- Visibility enabled analytics
- Condition based monitoring & maintenance

First of a kind

- Advanced Pricing Analytics (iPAT)
- Information Risk and Compliance Management
- Demand Driven Business Analytics
- Platform for Spatio-Temporal Analysis and Reasoning
- Analytics for Enhanced Agility to Support E2E Distribution Operations

Analytics and optimization requires a new set of skills

Business Analytics and Optimization Strategy

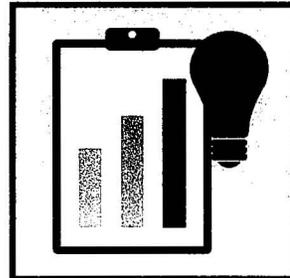


Identify and prioritize opportunities for improvement

Change business processes and operations to exploit analytics

Implement management systems to maintain control and achieve goals

Business Intelligence & Performance Management

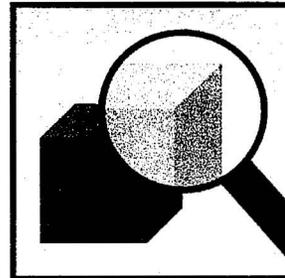


Report outcomes of business processes and programs

Automate management dashboards and scorecards

Create planning, Budgeting, & Forecasting tools

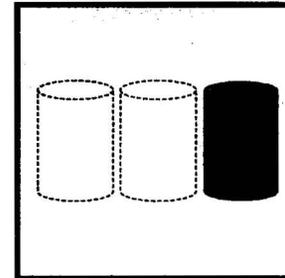
Advanced Analytics and Optimization



Apply advanced statistical and regression analysis upon historical data for predictive decision-making

Integrate optimization algorithms and technology into operations

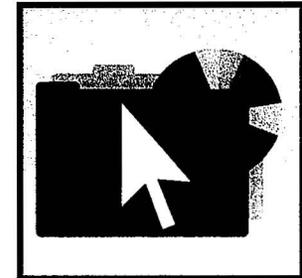
Enterprise Information Management



Ensure robust and trusted data is available when needed and is easy to consume

Provide a consolidated and efficient information platform to support optimization initiatives

Enterprise Content Management



Manage document & records, including archives

Manage structured and unstructured content

Manage digital assets & rights

Provide efficiency and transparency to complicated workflows