



**Charles V. Callan**  
SVP Regulatory Affairs  
Broadridge Financial Solutions  
51 Mercedes Way  
Edgewood, NY 11717

October 19, 2010

Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: Concept Release on the U.S. Proxy System, File No. S7-14-10

Dear Ms Murphy:

We appreciate the opportunity to submit comments on the Concept Release on the U.S. Proxy System (July 14, 2010, hereafter, the "Concept Release"). This is the third of several letters that Broadridge is submitting on the Concept Release, each of which focuses on a specific substantive topic. On October 6, we submitted comments on vote accuracy; and, on October 14, we submitted comments on process efficiency.

In this letter, we submit comments on the topic of voting participation. In the hope of providing useful information to the SEC for its review of the U.S. proxy system, this letter includes:

- Examples of communications methods, between issuers and beneficial shareholders, that reflect shareholders' choices and preferences
- Segmentation of beneficial shareholders by "NOBO/OBO" preference: accounts; shares owned; and shares voted <sup>1</sup>
- Comparison of beneficial and registered shareholder voting rates
- Opportunities to utilize technology to improve retail participation

## **Executive Summary**

---

<sup>1</sup> "NOBO" refers to non-objecting beneficial owners, i.e., those who do not object to providing their name, address, and number of shares to companies whose shares they own. "OBO" refers to objecting beneficial owners, i.e., those who object to providing such information to companies whose shares they own.

A core principle of the U.S. proxy system involves the provision of opportunities for beneficial shareholders to receive proxy communications and vote by methods of their preference and choosing.

Shareholders are afforded convenient means to express their preferences and they understand, and expect, that their preferences will be reflected in the processing of every beneficial proxy communication. Shareholders can express choices as to where their shares are held, whether materials are to be consolidated for householding purposes, receipt of information by electronic delivery, use of platforms for electronic voting, stipulations contained in managed accounts, receipt of full sets of proxy materials and, among others, their preference for privacy.

Beneficial shareholders are afforded the conveniences of having proxy information forwarded to them by their custodian bank or broker-dealer, including through online links, in a consistent format for all positions in an account. In most cases, a shareholder need only state his or her preference once for it to be captured and subsequently processed each time for beneficial proxy communications.

Consistent with this core principle, the U.S. proxy system affords every issuer, regardless of size, communications methods that reflect shareholders' choices and preferences. For example, the networks and systems provided by Broadridge distribute proxy information electronically to a majority of shares within 24 hours of its being made available to Broadridge, and mailings for the balance of shares are generally turned around within two business days.

The technologies and processing applied to beneficial shareholder communications result in voting rates that are higher than those of registered shareholders. A vast majority of OBO shares is voted, and a shareholder's preference as an OBO, for example, does not impede his or her opportunity to vote. Although retail beneficial shareholders, of whom many are NOBOs, vote at higher rates than do comparable registered shareholders; the low level of retail voting participation, overall, is a concern.

The Concept Release references a number of innovations that could have a positive impact on retail participation. Some recent innovations have been implemented by Broadridge and now offer additional ways to foster communication. At the same time, several additional technologies are being explored. Examples of innovations that could further improve retail participation include, among others: electronic shareholder forums, virtual shareholder meetings, investor-to-investor communications, interactive data, and the expanded use of brokers' online platforms through such technologies as the Investor Mailbox®.

Considering the larger context, the U.S. proxy system is on the cusp of vast shifts in demography and technology. Technologies that address the evolving needs of a highly mobile society -- and that create an appropriate environment for online social networking -- hold transformative potential. We believe these could lead to even greater levels of participation, transparency, and efficiency. We view this as a natural evolution of the U.S. proxy system.

### **Examples of Communication Methods, between Issuers and Beneficial Shareholders, that Reflect Shareholders' Choices and Preferences**

The U.S. proxy system strikes a careful balance in addressing various needs, for example: (i) shareholders' choices and preferences are captured and reflected; (ii) issuers have a number of efficient and timely methods for communications; and, (iii) shareholders can access a secure,

convenient, and familiar place for questions, communications, voting, and preference options, i.e., their brokerage account.

Shareholders can express choices as to where their shares are held, whether materials are to be consolidated for householding purposes, receipt of information by electronic delivery, use of platforms for electronic voting, stipulations contained in managed accounts, receipt of full sets of proxy materials and, among others, their preference for privacy.

Issuers presently have a number of timely and efficient means for beneficial shareholder proxy communication.<sup>2</sup>

- As of the 2010 proxy season, approximately 27 million beneficial shareholders provided their affirmative consent to electronic delivery. Over 3,500 institutional investors and financial advisors use Broadridge's ProxyEdge® platform for electronic delivery and proxy voting. As a result, many issuers can reach over 70% of their shares, electronically, within one-day of providing information for processing.<sup>3</sup>
- Hard copy materials are forwarded to beneficial shareholders within two business days of their being provided to Broadridge.<sup>4</sup>
- Broadridge's processing of "reminder" distributions is customized at an issuers' direction, e.g., to electronically send materials to un-voted accounts that hold more than 2,000 shares.
- Issuers can reach beneficial shareholders directly through certain brokers' online client platforms, such as those utilizing Broadridge's Investor Mailbox. As a group, the broker-dealers subscribing to this technology have over 15 million online accounts.
- Several technologies provide additional avenues for communications; these include electronic shareholder forums and "virtual" shareholder meetings. These technologies are linkable to issuers' websites, proxy voting platforms, and brokerage firm websites.
- Notice & Access is being utilized for over one half of all beneficial accounts. Retail voting participation (which decreased significantly as a result of Notice-only distributions) is bolstered to a degree by Broadridge's processing for stratifications and consents to receive full sets of proxy materials.<sup>5</sup>

---

<sup>2</sup> Additional information on the fees and costs of proxy communications can be found in Broadridge's October 14, 2010 comment letter on SEC File Number S7-14-10.

<sup>3</sup> Seventy percent is an average for Fortune 500 companies.

<sup>4</sup> During the 2010 proxy season (February 15 - May 1), the average turnaround time from receipt of physical proxy materials to their distribution into the mail stream was 2.03 days. Refer to "2010 Proxy Season: Key Statistics and Performance Ratings," at [broadridge.com](http://broadridge.com). Expedited processing is available upon request.

<sup>5</sup> Refer to "Notice & Access: Statistical Overview of Use with Beneficial Shareholders," June 30, 2010. Although the percentage of retail shares voted is higher for Notice & Access users than it is for non-Notice & Access users, voting rates of recipients of Notices by mail are under 5%.

- Over 1,157 issuers included the SEC's Investor Alert with their proxy materials in the 2010 proxy season. Recent analysis indicates that directors in companies using inserts received a somewhat greater percentage of votes in favor of their election.<sup>6</sup>
- Corporate issuers can request a NOBO list, at any time of the year, and use it to send non-proxy communications.

### **Segmentation of Beneficial Shareholders by NOBO/OBO Preference: Accounts, Shares Owned, and Shares Voted**

Broadridge analyzed the NOBO/OBO profiles of over 225 million accounts contained in its database for calendar year 2009. These accounts were categorized as belonging to either institutions or individuals.<sup>7</sup> For each segment, the analysis profiled the percentage of shares owned and the percentage of shares voted.

#### **Composition of Accounts**

Most institutional accounts are OBOs and most individual (i.e., retail) accounts are NOBOs. The proportions are nearly mirror images of one another.

<b>ACCOUNTS</b>	<b>NOBOs</b>	<b>OBOs</b>	<b>Total</b>
<b>Institutional Accounts (%)</b>	<b>30</b>	<b>70</b>	<b>100%</b>
<b>Individual Accounts (%)</b>	<b>73</b>	<b>27</b>	<b>100%</b>

#### **Composition of Shares Owned**

---

<sup>6</sup> On average, during the 2010 proxy season, there was greater support for director candidates among companies that included a 452 insert with their proxy materials (94.2%) than among those that did not include an insert (92.9%). Refer to Broadridge report, "The Elimination of the Broker Vote for Director Elections: Analysis of the Impact during the First Proxy Season," October 18, 2010.

<sup>7</sup> "Institutions" are defined as users of institutional voting platforms, including ProxyEdge, a consolidated data feed (vote agents) and managed accounts. "Individuals" are defined as all other accounts, including those who receive full proxy material sets by mail, Notices by mail, and e-delivery accounts.

With regard to share ownership, 30% of shares are held by NOBOs and 70% by OBOs. This is largely explained by the significant number of shares held by institutional investors.

<b>SHARES</b>	<b>NOBOs</b>	<b>OBOs</b>	<b>Total (%)</b>
<b>Institutions</b>	<b>5</b>	<b>54</b>	<b>59</b>
<b>Individuals</b>	<b>25</b>	<b>16</b>	<b>41</b>
<b>Total (%)</b>	<b>30</b>	<b>70</b>	<b>100</b>

#### **Percentage of Shares Voted**

Overall, voting is at high rates for OBO shares. Institutional OBOs voted 88% of the shares they owned. Individual OBOs voted 34% of the shares they owned.

<b>VOTING RATES (%)</b>	<b>NOBOs</b>	<b>OBOs</b>
<b>Institutions</b>	<b>86</b>	<b>88</b>
<b>Individuals</b>	<b>25</b>	<b>34</b>

### Comparison of Beneficial and Registered Shareholder Voting Rates

Broadridge processed registered as well as beneficial shareholder voting for over 1,500 meetings during calendar year 2009. These meetings included over 20 million shareholders that, as a group, held over 52 billion shares. Highlights of the analysis, which excluded broker votes, include the following observations, among others:

- Voting is greater among retail beneficial shareholders than it is among retail registered shareholders
  - Retail registered shareholders voted only 10% of the time (and, as a group, they voted 19% of the shares they owned).
  - In contrast, retail beneficial accounts (NOBOs) voted 15% of the time (and, as a group, they voted 25% of the shares they owned).
- A beneficial shareholder’s designation as an OBO did not, as a practical matter, impede voting.
  - Retail beneficial shareholders that were OBOs voted at the highest rates among individuals – this segment voted 17% of the time (and, as a group, they voted 34% of the shares they owned).
  - Similarly, by a factor of over two to one (i.e., 73% vs. 35%, respectively), institutional beneficial shareholders that were OBOs voted at a greater rate than did registered shareholders with greater than 10,000 shares.

<b>VOTING RATES</b>	<b>NOBOs (Individuals)</b>	<b>OBOs (Individuals)</b>	<b>Registered Shareholders (&lt;10,000 shares)</b>	<b>OBOs (Institutions)</b>	<b>Registered Shareholders (&gt;10,000 shares)<sup>8</sup></b>
<b>Percent of Accounts</b>	15 %	17 %	10 %	73 %	35 %
<b>Percent of Shares Owned</b>	25 %	34 %	19 %	88 %	69 %

<sup>8</sup> Many large registered shareholder accounts are held by insiders and executive owners.

## **Opportunities to Utilize Technology to Improve Retail Participation**

The Concept Release requests comment on ways to increase retail voting participation. We agree that retail voting participation is an important goal. Broadridge and nominees have recently implemented several technologies that provide additional methods of communication and that have the potential to foster greater participation. We are continuing to explore other methods such as investor-to-investor communications and client-directed voting.

### **A. Enhanced Broker Internet Platforms**

Increasingly, retail investors are utilizing a broker-dealer's online platform for receiving proxy communications and for voting their shares. Broadridge's Investor Mailbox provides single logon convenience, and "one-click" access to investor communications, including statements, trade confirmations, and corporate actions -- as well as to proxy information. This technology enables shareholders to vote directly from a familiar and secure site. Each day an increasing percentage of these accounts is availing itself of this tool; and, in the past year, over 1.5 million shareholders voted through the site.

Experience indicates that the Investor Mailbox results in a significant increase in the number of affirmative consents to e-delivery. When email is utilized, a customizable link is provided directly to a broker's online platform. Such platforms can provide an additional channel for notifying shareholders of annual meetings, electronic forums, and other communications activity.

### **B. Investor-to-Investor Communications**

Recent technological advances are creating additional avenues for communication and participation. Broadridge facilitates the use of electronic shareholder forums that can be accessed directly from a secure voting platform, a broker-dealer's online platform, and an issuer's website. To date, these have been used in conjunction with annual meetings.

Electronic forums can provide new opportunities for shareholders to communicate with management, directors, and other shareholders; take surveys; submit questions to directors in advance of a company's annual meeting; and, among other things, access filings. Such forums can differ from "chat rooms" in certain important respects. Like chat rooms, they can provide anonymous participation, but unlike chat rooms, participants can be validated as actual shareholders. As a consequence of the validation process, these electronic shareholder forums offer accountability with participation.

Issuers and shareowners are increasingly interested in the potential of online social media for communications purposes. Although new regulatory requirements give rise to greater communications, there is no requirement today that systems used for beneficial shareholder communications support discussions and voting in social networks for issuers and shareholders that wish to use them.

Broadridge is exploring how current networks could provide easy "on ramps," and levels of accountability, decorum, and security not always found in traditional Internet social networks. Broadridge believes such networks have the potential to achieve new levels of participation, transparency and efficiency. For example, they can enable validated shareowners to communicate views and concerns directly with directors, management, and other shareholders. Management and directors are afforded an efficient means to assess sentiment and consult shareowners on topics of mutual interest.

Considering the larger context, the U.S. proxy system is on the cusp of vast shifts in demography and technology. Technologies that address the evolving needs of a highly mobile society -- and that create appropriate environments for social networking -- hold transformative potential. We view this as a natural evolution of the beneficial proxy process.

### **C. Advance Voting Instructions<sup>9</sup>**

If appropriately designed, tools for Advance Voting Instructions (AVI) could provide retail shareholders with greater convenience and access to research as well as to the recommendations of other investors – similar, in some ways, to the features afforded to institutional investors and other users today of Broadridge’s ProxyEdge platform. Such capabilities could potentially be integrated into expanded uses of broker’s Internet platforms and include functions for conveniently managing voting instructions and preferences. Shareholders would receive no less information than they are afforded today. They would have convenient access to a repository of information and to tools for managing preferences.

Broadridge would welcome the opportunity to work with interested parties to test concepts for AVI - - and assess user interest and behavior -- in carefully designed pilots.

### **D. Data Tagging**

Recent initiatives and rule making by the SEC result in the provision of data in an interactive, XBRL format. Together with further use of plain English, we believe the principles contained in these initiatives could offer potential applicability to proxy information, i.e., to improve usefulness and accessibility. The technology innovations highlighted above could generally be made more useful with the provision of more interactive data.

---

<sup>9</sup> Sometimes referred to as “client-directed voting.”

## Conclusion

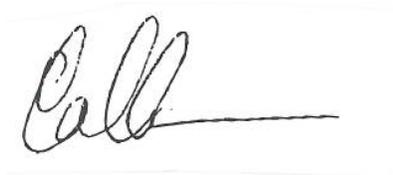
The U.S. proxy system provides opportunities for beneficial shareholders to receive proxy communications and vote by methods of their preference and choosing. Every issuer, regardless of size, is afforded communications methods that reflect shareholders' preferences. The technologies and processing applied to beneficial shareholder communications result in voting rates that are higher than those of registered shareholders. OBOs vote at significant rates and are not impeded from voting by their preference for privacy.

Yet, retail voting participation continues to be of concern. There is much to do to restore voting to levels exhibited prior to rules for Notice & Access, and to take it to the next level. Some recent innovations and tools have been implemented and now offer additional ways to foster communication and voting participation.

Additional technologies are being explored. Harnessing the power of social networks is an idea that holds significant potential to create new levels of participation, transparency, and efficiency.

In closing, Broadridge is committed to making the significant ongoing investments necessary to support additional avenues of communication and greater voting participation in the U.S. proxy system. We look forward to working with the SEC to achieve this objective.

Sincerely



## Attachments

cc: Honorable Mary L. Schapiro, Chairman  
Honorable Luis A. Aguilar, Commissioner  
Honorable Kathleen L. Casey, Commissioner  
Honorable Troy A. Paredes, Commissioner  
Honorable Elisse B. Walter, Commissioner  
Meredith B. Cross, Director, Division of Corporation Finance  
Thomas J. Kim, Chief Counsel & Associate Director, Division of Corporation Finance