



STATE STREET.

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Via e-mail: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

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

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

Dear Ms. Murphy:

State Street Corporation ("State Street") appreciates the opportunity to comment on the "Concept Release on the U.S. Proxy System" (the "Concept Release") issued by the Securities and Exchange Commission ("SEC"), and published in the Federal Register on July 22, 2010.

With \$20.23 trillion in assets under custody and administration and \$1.90 trillion in assets under management at September 30, 2010, State Street operates in 25 countries and more than 100 geographic markets worldwide.

Overall, State Street supports the SEC's initiative to review and modernize the U.S. proxy system, and supports many of the potential reforms described in the Concept Release. As both an institutional asset manager and service provider, State Street is highly engaged in voting and processing shareholder proxies.

State Street's comments today focus on three key areas we view as particularly important to our customers and the proxy system as a whole: improvements to the vote confirmation process, communications with shareholders and issues related to the lending and borrowing of securities.

**Improvements to the Vote Confirmation Process**

State Street agrees with the suggestions in the Concept Release that the U.S. proxy system would be improved through a more rigorous vote confirmation process. While we do not observe any evidence of significant failures in tabulation of votes, we agree that shareholders, intermediaries and issuers would all benefit from more effective and transparent vote confirmation. While end-to-end vote confirmation is available through certain vendors, a uniform, regulatory-mandated system of vote confirmation would

provide increased opportunities to further advance Straight Through Processing (STP) initiatives within the process, improve investor confidence in the proxy voting process, and, potentially, increase shareholder voting participation.

### **Communications with Shareholders**

State Street supports high levels of transparency throughout the proxy process, and recognizes the potential benefits, particularly the potential cost savings, of increasing direct communication between issuers and beneficial owners. However, we believe the benefits of transparency and efficiency should be weighed against the legitimate preference of some shareholders for anonymity. By enhancing the issuer's ability to communicate with shareholders, both parties can experience more meaningful engagement. Nevertheless, some shareholders or beneficial owners may prefer to remain anonymous for a variety of reasons, most notably in order to protect proprietary trading strategies or other confidential information, or to otherwise avoid use of shareholder information for purposes other than proxy solicitation purposes.

We support efforts to consider alternatives to address this issue, but urge the SEC to proceed cautiously, and protect the legitimate interests of shareholders who wish to remain anonymous and maintain the efficiencies derived from intermediaries selecting agents for communicating with shareholders related to shareholder meetings.

### **Securities Lending and Borrowing**

State Street acts as a securities lending agent for a variety of institutional investor customers, including mutual funds and pension funds. In this capacity, we have established systems which permit these investors to recall shares they may wish to vote, generally requiring a client to provide notice within four days of the recall date.

In our experience, institutional investors participating in securities lending programs are well-informed on the proxy voting process as it relates to securities lending, and aware of their need to balance the economic benefits of lending securities with their interests in voting proxies. Generally, unless a proxy vote is expected to have a materially economic impact on an issuer or entails a contested vote, institutional lenders of securities frequently elect not to recall securities in order to vote proxies, due to the potential loss of income from the securities lending program. Requiring advance notice of record dates for proposals that are routine in nature would not impact the decision making process for lenders, and consequently, is unlikely to increase voting participation by institutional investors lending securities.

While we do not believe requiring advance notice of record dates would significantly change the behavior of institutional investors, we are concerned that such a change could, in fact, have negative impacts on the U.S. proxy system. For example, an advance notice requirement could facilitate "empty voting." Borrowing shares for voting purposes is already illegal under Reg T, and we do not perceive such practices as having a significant role in today's markets. Nevertheless, providing advanced notice of record dates could unintentionally facilitate such "empty voting" practices, contrary to the goals of the Concept Release.

As mentioned above, State Street is, overall, supportive of the goals of the SEC, as described in the Concept Release. We will be pleased to engage further with the SEC on these issues as the regulatory process proceeds.

Sincerely,

A handwritten signature in black ink, appearing to read "Stefan M. Gavell". The signature is fluid and cursive, with the first name "Stefan" being the most prominent part.

Stefan M. Gavell