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March 1, 2021

Secretary Vanessa Countryman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
By email: rule-comments@sec.govRe: **File Number SR-NYSE-2020-96**

Dear Secretary Countryman:

The Securities Transfer Association, Inc. (STA)¹ appreciates the opportunity to comment on the Proposed Rule Change concerning the New York Stock Exchange's proposal to amend its rules regarding establishing maximum fee rates for proxy material distribution. While STA recognizes the NYSE's desire to extricate itself from its current oversight role, we respectfully recommend a more holistic approach to such a change that would a) address the underlying inequities of the current process that ultimately disadvantage the shareholder, b) provide for a more nimble process that adapts to market changes and demands, and c) ensure neutral oversight.

a) Address underlying inequities disadvantaging shareholders.

The current process is viewed as defective by key constituents within the industry, as evidenced by the lack of common ground among members of the SEC-initiated Proxy Distribution Fees Working Group. STA concurs with the [ICI letter](#) of January 8th in its evaluation of the system being "broken" and "providing a near monopoly." In spite of continued advances in electronic communication, the maximum fees allowed for beneficial owner communications are typically the ones charged. There is no transparency as to how the fees charged relate to actual costs incurred, and the issuer is required to pay them without any such justification or recourse to seek competitive pricing via

¹ STA is the professional trade organization of transfer agents, official recordkeepers interacting daily with both issuers and their investors regarding securities offerings, issuances, and transfers. STA's membership is comprised of over 130 commercial stock transfer agents, bond agents, mutual fund agents, and related service providers within the United States and Canada. Collectively, STA members service more than 100 million registered shareholders on behalf of more than 15,000 publicly traded corporations and private companies trading in the OTC marketplace.

alternate service providers. The result is higher servicing costs to shareholders that cannot be justified or controlled. This anomaly within a free market has left the Proxy Distribution Fees Working Group at an impasse, and unable to formulate a united industry-wide recommendation to the SEC. Such irreconcilability, combined with the opacity in determining the appropriateness of fee schedules within the process, leads to the question of whether and to what degree some industry players may be benefiting from the current system at the expense of the shareholder.

b) Provide for a more nimble process adaptable to change.

When this proxy fee process was set in place, physical correspondence was the only option, beneficial owners were less prevalent, and mutual funds were in nascent stages. The current solution seemed like an acceptable safeguard under those circumstances, just as it seemed timely enough to review them every so many years. Now that electronic communication is prevalent, beneficial owners represent the majority of shareholders, and mutual funds are preponderant, it is nothing more than an artificially imposed solution to address antiquated needs on an increasingly lagging timeline, and thus past its useful life. As such, STA urges the SEC to reconsider both the intent and the outcome of the fee-setting process in a contemporary light, as the risk factors have shifted away from those the process was originally intended to mitigate.

STA endorses a market-driven solution and its underlying logic as presented in comment letters from [Computershare](#) and the [Shareholder Communications Coalition](#) January 11th and 20th, respectively. Not only would a market-driven solution realign incentives appropriately in the interest of businesses and their shareholders, it would also mirror changing technological capabilities and shareholder makeup on an ongoing basis as opposed to awaiting the existing once-a-decade review. We fully support the choices, competition, and efficiencies a market-based solution would afford.

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c) Ensure neutral oversight.

STA does not support the proposal to transfer responsibility for maximum fee-setting to FINRA, whose membership represents the broker side of the industry but not the issuer side. As mentioned above, there are currently substantial differences in how brokers and issuers view the fee system, and issuers already feel disenfranchised from any control over or insight into the process. Indeed, FINRA's members are the direct beneficiaries of the rebate system offered by Broadridge in its current virtual distribution monopoly. Although FINRA, like many other self-regulating organizations, has historically benchmarked their recommendations on maximum distribution fees to match that of NYSE, they are no more involved in the process than any other industry entity, and are hence no more experienced, qualified, or willing to modernize the current process than other industry entities, as indicated in the [FINRA letter](#) of January 11th.

STA would see the SEC assume more significant regulatory oversight, ideally within the context of rulemaking on proxy plumbing reform and potential NOBO/OBO modernization. If the SEC deems it appropriate to continue setting proxy distribution reimbursement fees, STA would like to see that accomplished under SEC's regulatory auspices. We would also continue to support and participate in the Proxy Distribution Fees Working Group as an interim exploration and advisory step, but believe the SEC needs to lead and participate in the group as well in order to produce a material outcome.

STA thanks the Securities and Exchange Commission for this opportunity to opine on the proposed process, and we thank you for your consideration. We are available for further discussion at your convenience via the STA Executive Director, Melissa Cabocel, at [REDACTED].

Sincerely,

A handwritten signature in black ink that reads "Todd J. May". The signature is fluid and cursive, with a large, stylized "M" at the end.

Todd J. May
President
Securities Transfer Association