



The Independent Steering Committee of Broadridge Newsletter

Volume 12, December 2017

The matters discussed in this newsletter were addressed during a meeting of the members of the Independent Steering Committee of Broadridge (Committee) and a meeting of the Committee with the staff of the Securities and Exchange Commission (SEC) held on November 2, 2017 in Washington D.C.

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ABOUT THE INDEPENDENT STEERING COMMITTEE:

The Independent Steering Committee of Broadridge (Committee) was formed in 1993 to serve as an independent oversight body charged with monitoring the performance, voting accuracy and readiness of Broadridge and its predecessor firm in conducting the U.S. street name proxy system on behalf of the nation’s banks and brokers.

The Committee, organized from within the securities industry with the encouragement of the SEC, consists exclusively of persons who are neither current nor former employees of Broadridge. The members represent the four industry groups involved in the proxy process: issuers, institutional investors, brokers and custodian banks.

The purpose of this newsletter is to share with a wider audience the developments that are shaping the U.S. proxy system and to encourage broad participation in promoting the efficiency and integrity of that system.

Stephen P. Norman
President, S.P. Norman and Company LLC
Committee Chair and Editor

Comments or suggestions may be sent to:
steve@spnormanco.com.

REGULATORY OVERVIEW

The Committee received a report from the law firm of Covington and Burling on the themes to watch and the changing priorities of the SEC under Chairman Jay Clayton.

The Commission's regulatory agenda was expected to further a three-part mission:

- Protect investors
- Maintain fair and orderly markets
- Facilitate capital formation

Chairman Clayton is thought to represent an apolitical, pragmatic approach to regulatory issues with an awareness that regulatory change can have lasting effects, costs and compliance burdens that must be considered during the adoption process. Coordination with other regulatory agencies will be promoted and the Regulatory Flexibility Act Agenda will be re-emphasized. Disclosure effectiveness will be stressed while modernization and simplification of Regulations S-K and S-X will be pursued. Other areas likely to receive attention will be disclosure effectiveness, cybersecurity, climate change and the pay ratio rules.

TECHNOLOGY UPDATE AND CYBERSECURITY

Broadridge's Senior Vice President of Information Technology (SVP IT) mentioned the fundamentals that Broadridge had established to promote information security in every facet of its proxy processing operations. He also described management's initiatives and testing accomplished to assure 2018 proxy season readiness.

The SVP IT stated that recent high profile data based threats and thefts of customer data from corporations and regulatory bodies had underscored the need for heightened vigilance in shielding client data while also protecting Broadridge's systems from interruption.

BLOCKCHAIN STRATEGY DISCUSSION

Broadridge's SVP IT stated that Broadridge continued its project to test the viability of using distributed ledger technology (DLT) in conducting shareholder voting. The findings indicated that the use of DLT – commonly called blockchain – in the proxy process could enhance transparency, safety and certainty across the voting process, from verifying voting entitlement and casting the vote to tabulation and communication of the results. For the next phase of its DLT testing, Broadridge is seeking a small number of corporate issuers to participate in a pilot in which the blockchain proxy process will be tested alongside the current method of voting.

ENHANCED BROKER INTERNET PLATFORMS (EBIPs) – A THREE-YEAR LOOK BACK

The Committee shared with the SEC staff the results of the NYSE rules and the \$0.99 incentive fee implemented in 2014 to promote the development and implementation of EBIPs, sometimes called investor mailboxes, which enable shareholders to vote their proxies on their brokers' websites without having to separately log in. As of June 30, 2017, 24 of the nation's broker-dealers offered EBIPs to their clients. As a group, the 24 brokers represent 55% of all accounts held in street name. Voting via EBIPs represents 16% of all retail positions, up from 7% in 2015. In addition to offering convenience to shareholders, EBIPs tend to encourage shareholders to adopt e-delivery, resulting in lower printing and postage costs for issuers.

VOTE INSTRUCTION FORM (VIF) GUIDELINES

The Committee reported to the SEC staff on the protocols established by the Committee in 2014 to guide issuers in editing or abbreviating proposed proxy language that exceeds the dimensions of the standard VIF. The protocols call for Broadridge to contact issuers who submit excessive proxy language within 24 hours of receipt and offer three suggested alternatives for reducing the issuer's proxy language to fit within the dimensions of the standard VIF.



The SEC staff noted that some issuers were responding by stating “see proxy statement for a description of the proposal,” an extra step that many shareholders would fail to take. The Committee agreed to review the protocols to discourage this practice.

TELEPHONE VOTING

The Committee noted that the use of the telephone voting option in proxy voting had continued to decline. For the season ending June 30, 2017, telephone voting represented only 1.1% of the total shares voted as retail voters increasingly turn to other electronic voting platforms.

While a small segment of the total vote, the telephone vote represented approximately 4.09% of the retail vote. As the telephone voting segment could prove crucial in close proxy contests, the Committee agreed to further monitor telephone voting rather than recommending its elimination at this time.

Steering Committee Members

Thomas Broderick – State Street Corporation, *Custodial Bank*

Lawrence Conover – National Financial Services LLC *Broker-Dealer*

Steven Dapcic – Pershing, LLC *Broker-Dealer*

Michael Garland – The New York City Comptrollers’ Office, *Institutional Investor*

Stacey K. Geer – Primerica, Inc. *Corporate Issuer*

Philip Larrieu – California State Teachers’ Retirement System, *Institutional Investor*

Gloria Lio – Bank of New York Mellon, *Custodial Bank*

Mark S. Lyon – Synchrony Financial, *Corporate Issuer*

Michael Marino – Credit Suisse, *Custodial Bank*

James Monahan – Morgan Stanley & Co, Inc. *Broker-Dealer*

Stephen Norman – S.P. Norman & Company LLC *Committee Chair*

William J. O’Shaughnessy – Quest Diagnostics, Inc. *Corporate Issuer*

Valiere Simpson – TD Ameritrade, *Broker-Dealer*

Chad Spitler – CamberView Partners, *Corporate Issuer*

Joseph C. Swanson – The Northern Trust Corporation, *Custodial Ban*

Broadridge, a global fintech leader with over \$9 billion* in market capitalization, provides communications, technology, data and analytics solutions. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth. *As of November 2017

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