



May 30, 2012

Ms. Judy McLevey
Vice President
NYSE Euronext
20 Broad Street 25th Fl
New York, NY, 10005-2601

Dear Ms. McLevey,

This letter responds to some of the alternative ideas for broker cost reimbursement that members of the Proxy Fee Advisory Committee outlined in your meeting with SIFMA on January 20, 2012, our initial review of the Committee's Report issued May 16, 2012, as well as to your request for data from our members relating to the costs of proxy processing. We support the Committee's goals as described in that meeting - to encourage the continued elimination of paper mailings, enhance transparency in the proxy fee structure, and establish a coordinated process of reviewing fee reimbursements going forward in a manner that is aligned with the work involved. As you are aware, we have supported the Committee in the past, such as by providing a flow chart entitled "Broker-Dealer Functions Supporting Proxy Distributions," which describes the numerous proxy-related services firms provide in-house. A copy of the flow chart is attached to this letter (Appendix 1; Further detail on these services is provided in Appendix 2).

In further support of the Committee's goals, and in response to your more recent request, we first provide some feedback on the proposals that you outlined to us in January of this year, and then address your request for cost information. After we have reviewed the Committee's Report in more detail, we expect to have further comment.

Response to Concepts Presented at January 20, 2012 Meeting, and Reflected in Committee's Report

We appreciate the Committee's efforts to take a fresh look at the manner in which brokers, banks and other intermediaries are reimbursed for the costs associated with the processing of proxy materials under the rules of the NYSE.

Among the concepts you described for reimbursement of proxy costs associated with managed accounts and wrap accounts, you outlined a concept where at

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certain thresholds no fee reimbursements would be provided even where expenses are actually incurred by intermediaries. This concept is reflected in the Committee's Report, which for instance proposes to apply a fixed share threshold for reimbursements relating to such accounts, so that an account holding a number of shares below that threshold would not be eligible for reimbursement. Because there are processing costs associated with such accounts without regard to the actual number of shares in question, we do not support the establishment of such a threshold that would result in the elimination of any reimbursement over transactions which in fact involve the incurrence of costs.

Rather, we believe that any proposal on managed and wrap accounts – as well as other proxy processes -- should be based on actual proxy processing costs rather than on arbitrarily fixed thresholds or percentages. We are concerned about the Committee's approach overall to the extent that it is based on what is in effect arbitrary "line drawing," which would represent a fundamental departure from the manner in which reimbursement rates have been set in the past, and indeed would represent an approach that would almost certainly produce anomalous results that are not fair, balanced, or reasonably based, both in the short and long term

Request for Cost Information

We wish to underscore that we have taken the Committee's request for data very seriously, as we fully understand the Committee's desire and need for such data. It has been our intent to provide as complete a response as possible, given the constraints of time, logistics (including lack of consistent standards for recording relevant costs), and confidentiality obligations.

As you are well aware, gathering data from many member firms is a complex and time-consuming task, given the logistics involved and the need for each firm to ensure that it observes any confidentiality and other legal obligations to third parties. Broker-dealer proxy economics vary greatly among firms, by size, client mix, product mix, service level, degree of automated services and/or personal service, and geographic location. Each firm, moreover, must develop an objective means to collect and organize the data, insofar as firms typically do not have cost accounting systems that separately report the costs of proxy activity. This activity often involves estimates and allocations from a number of departments and

functions within a firm, including operations, information technology, finance, audit, legal and client services.

Accordingly, we have not tried to collect data broadly from all of our members, but rather to conduct a representative survey. *We believe that its findings support our view that proxy fees are reasonably in line with costs incurred by brokers and other intermediaries*, despite its limited sample size and other limitations described below.

Total Cost Estimates

Based on the data collected, and estimates made based on that data, we have estimated that total proxy processing costs range from approximately \$136 million to \$153 million annually, in aggregate among brokers, banks, and other intermediaries. By comparison, according to Broadridge, the total fees collected from issuers to reimburse nominees under the NYSE proxy reimbursement rules as of that company's fiscal year end of June 30, 2011, were approximately \$143 million. Significantly, the \$143 million in fees collected includes not only fees intended to reimburse intermediaries for their expenses, but also a significant proportion of other fees that are not focused on reimbursement, but rather on incentivizing intermediaries to invest in technology designed to reduce corporate issuer costs of distributing paper copies.

In viewing the results of the survey, we believe that it is important to bear in mind that a fundamental goal of the current cost reimbursement system is to ensure that costs and reimbursements are reasonably in line, but not necessarily a perfect match in every case. By setting standard rates that apply across the board to both proxy intermediaries and to issuers, the current system avoids the inefficiencies and the much more significant costs that would be incurred if payments and reimbursements were customized on a firm-by-firm and issuer-by-issuer basis. Such a "customized" system would result in extraordinary and unjustifiable costs, which ultimately would be borne by issuers and their shareholders. But a system that avoids customization, and allocates standard rates broadly across the system, will result unavoidably in some variances, even if overall costs and reimbursements are reasonably in line.

Overview of Methodology

Below is an overview of how we conducted the survey. In addition, we would be happy to schedule a meeting to walk you through the details so we can be as

transparent as possible about the methodology of our survey. The survey covered two components of cost: the costs incurred directly by broker-dealer and bank functions supporting proxy distributions, and the costs incurred through payments to third party vendors involved in proxy processing.

SIFMA conducted the survey. Broadridge Financial Solutions, Inc. provided some additional necessary data, and assisted with the necessary calculations and analysis. The survey included a small representative group of SIFMA members, supplemented by a smaller number of non-members.

As reflected on the chart below, the cost estimates above are based on actual overall cost data provided by a small sample of firms. The firms represent six size tiers, based on number of equity positions processed. As you are aware, in the interest of time, we initially requested data from ten SIFMA member firms. In order to ensure representation from each size tier, Broadridge subsequently obtained data from 5 additional firms in the two smallest tiers, so that each tier would be represented by 2 or 3 firms.

In estimating aggregate cost, net of fees paid to Broadridge, for each size tier, we established a range of costs. Costs were calculated on a “per position” basis by dividing total positions for that firm into the total cost numbers provided by each firm surveyed. We used the costs provided by the firm with the lowest cost per position to establish a low end of the range for processing cost per position, and the costs provided by the firm with the highest cost to establish the high end of the range. The low and high range numbers were then each multiplied by the total number of positions processed by all firms in each size tier. These aggregate ranges for each of the six tiers were then added to arrive at the overall aggregate cost range. Added to that aggregate cost range was the aggregate dollar amount that Broadridge invoiced its client firms for proxy processing services, as of Broadridge’s fiscal year end of June 30, 2011. This was done by adding the total dollar amount invoiced by Broadridge to both the low and high end numbers for the aggregate range.

Broker/Bank Nominee Internal Costs – FY2011

Tier	Equity Positions in Tier	Number of Firms in Tier	Number of Survey Firms	Survey Cost Per Position	
				<i>Low</i>	<i>High</i>
1	0-9,999	703	3	\$1.2190	\$3.0475
2	10,000-49,999	69	2	\$1.1997	\$1.9196

3	50,000-399,999	39	2	\$0.4230	\$0.5746
4	400,000-1,499,999	18	3	\$0.2088	\$0.3764
5	1,500,000-9,999,999	18	2	\$0.2138	\$0.2820
6	+10,000,000	8	3	\$0.1279	\$0.1699
Total		855	15	\$0.1252	\$0.2284

The survey sample size represents 1.8% of the intermediary firms processed by Broadridge, and 26.7% of the equity proxy positions processed by Broadridge. The sample data is heavily weighted by three large SIFMA member firms, which together represent 80.2% of the positions reflected in the survey. The two largest tiers, encompassing firms which process in excess of 1.5 million positions, account for more than 90% of total positions.

The range of costs reported by firms in each tier varies significantly, with some firms reporting costs as much as 2.5 times higher than others in the same tier. These differences may be due to different business models and cost structures, as well as to different methodologies of estimating or allocating costs associated with proxy processing. The survey indicates that most firms report costs which exceed proxy reimbursement payments, although as noted above overall industry-wide costs appear to be generally in line with overall payments by issuers.

As noted above, the survey and its conclusions should be qualified by its inherent limitations. The survey is based on data obtained from a small sample of proxy intermediaries. Further, we understand that none of the firms included in the survey has a cost accounting system that reports costs separately for proxy processing, and the firms that reported data did not provide that data according to a standardized approach to allocating and/or estimating costs to such processing. The data we obtained is derived from multiple sources and is limited to the firms and positions serviced by Broadridge, and does not include data from intermediaries serviced by other vendors. Accordingly, while we believe that the survey provides useful information on the overall correlation between cost and reimbursements, we want to be clear that the results of the survey do not purport to provide precise statistical or other data. That objective would require more time to conduct a significantly broader survey that employs standard formats and methodology among all data sources.

* * *

We look forward to continuing to work with the Committee to assist it in achieving its goals. Please do not hesitate to contact me with any comments or questions.

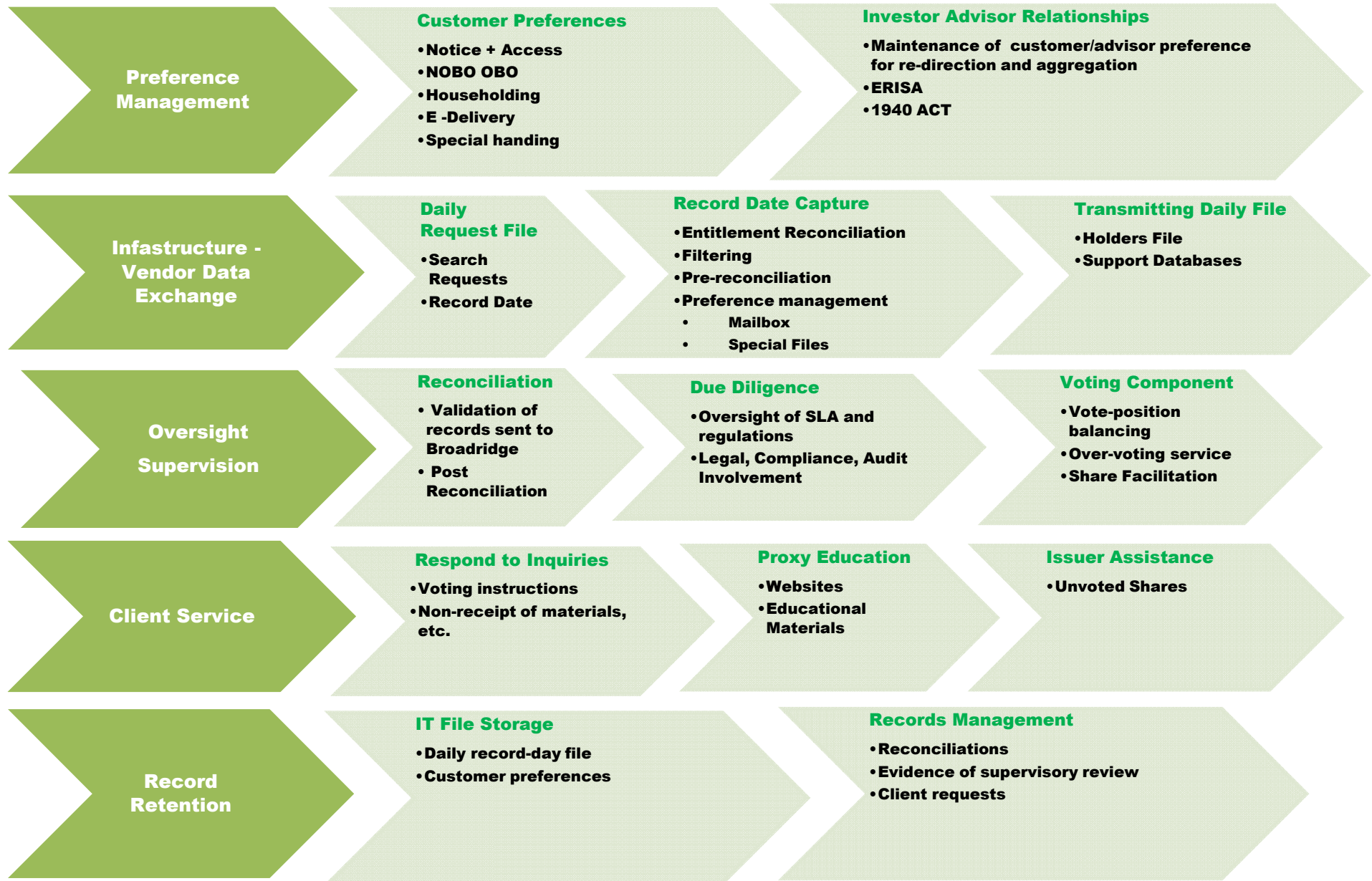
Sincerely,

A handwritten signature in black ink, appearing to read "Tom Price". The signature is fluid and cursive, with the first name "Tom" and last name "Price" clearly distinguishable.

Tom Price

Managing Director
Operations, Technology, & BCP
Securities Industry and Financial Markets Association (SIFMA)
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212-313-1260

Appendix 1: Broker-Dealer Functions Supporting Proxy Distributions



Note: This document is intended for general informational purposes and may not apply to all firms.

APPENDIX 2

BROADRIDGE FINANCIAL SOLUTIONS, INC.

PROXY PROCESSING

Description of the Major Processing Activities

January 14, 2011

**A comprehensive description of the major activities performed by Broadridge and by
Nominees for U.S. proxy processing.**

Broadridge Confidential – Not to be used without prior permission

Major Proxy Processing Activities

1. Event Identification

A. Event identification / job set up / reporting / billing – Broadridge

1. Interface with every issuer and/or agent to process event notifications: electronic feed, icsonline (www.myservice.broadridge.com), email, fax, phone
2. Collect all necessary information and enter data for job set up
 - a. Type of meeting
 - b. Search and record dates, meeting date
 - c. CUSIPs and classes, voting rights
3. Maintain Master Securities Database and validate all CUSIPs
4. Create vote instruction form (VIF), custom ballot and/or Notice
 - a. Enter proposals
 - b. Rule each as routine or not
 - c. Input Management Recommendations
 - d. Input proposal category for institutional investors
 - e. SWOP options
 - f. Proof and enable client sign-off
5. Collect and enter variable instructions from issuer: issuer and agent contacts, stratified mailing, postage class, use of N&A, URL's for electronic materials, other special requirements
6. Provide for, and process, electronic and paper requests for legal proxies
7. Provide job flow data and reporting for issuer/nominee: icsonline, email, telephone
8. Maintain records for 7 years
9. Create invoicing consolidated across all nominees
 - a. All fees
 - b. All postage
 - c. Sales tax breakdown by state
 - d. Generally fund postage for issuer, incur collection risk
10. Ensure capacity for peak processing – 250+ jobs/day
11. Maintain, test and validate disaster recovery and business continuity plans for personnel, mainframe and open systems

B. Proxy infrastructure set-up responsibilities of Nominee

1. Establish network interfaces with Broadridge for secure, daily transmission of CUSIP positions and shareholder distribution and voting instructions
2. Develop and maintain mainframe programs for proxy that interact with, but are independent of, the nominee's books and records
3. Establish supervisory and compliance monitoring systems, record retention and regulatory inquiry capability

4. Establish outsourcing contract administration and management
5. Invest in technology to accurately reconcile, communicate with clients and integrate voting into client portals
6. Hire, train and maintain knowledgeable staff

2. Data Aggregation

A. Data aggregation 2x: Search and Record Date – Broadridge

1. Aggregate nominee position data: Search
 - a. Create daily file of all upcoming issuer events including CUSIPs, record and meeting dates, type of meeting , and make available – in different formats – to all nominee clients
 - b. Monitor pick up of daily file by all clients
 - c. Monitor response by all clients: every nominee client is required to respond within 2 business days, even if the response file just indicates that that nominee does not hold any positions in a given CUSIP, follow up with non-responders
 - d. Aggregate all responses on Search date and create summarized material requirements to issuer, including impact of all investor preferences
 - e. Perform Omni search: identify all respondent banks for each Broadridge record holder bank and whether or not that respondent is a client of Broadridge
 1. Effectively aggregates entire search process so that issuer does not have to search each record holder bank and then its respondents a day later
 - f. Create all required nominee and issuer reports, e.g., confirmation of records received by nominee for every CUSIP, and make available online and in hardcopy form where required, maintain for 7 years
2. Aggregate nominee position data twice: Record Date
 - a. Create daily file of all upcoming issuer events including CUSIPs, record and meeting dates, type of meeting , and make available – in different formats – to all nominee clients
 - b. Monitor pick up of daily file by all clients
 - c. Monitor response by all clients: every nominee client is required to respond within 2 business days, even if the response file just indicates that that nominee does not hold any positions in a given CUSIP, follow up with non-responders
 - d. Aggregate all responses on Record date and create summarized material requirements to Issuer, including impact of all investor preferences
 - e. Create and issue Omnibus proxies to tabulator for each respondent bank and correspondent broker
 - f. Ingest DTCC position files and populate DTCC over reporting prevention process for each job and each nominee
 - g. Create all required nominee and issuer reports and make available online and in hardcopy form where required, maintain for 7 years
3. Maintain, test and validate that data security measures protect all client data

4. Monitor and test that data processing peak capacity exceeds projected maximum volumes

B. Data Aggregation 2X: Search and Record Date – Nominee

1. Inquire against stock record on search and record date
2. Respond to Broadridge by CUSIP and class
3. Ensure segregation deficits are cured by close of record date.
4. Proactively manage inventory on behalf of margin accounts who wish to vote by securing shares by record date
5. Secure legal proxies on securities for 'fails to receive'
 - a. Obtain legal proxies from sellers whose shares did not make transfer by record date
 - b. Provide legal proxies to counterparties or clients

3. Preference Management

(Complex set of business rules and databases whose output enables investors to be notified in a manner of their choosing consistent with the proxy rules, and minimizes the amount of physical material distribution through a combination of consolidation of positions and the use of electronic distribution consistent with investor consent.)

A. Preference management – Broadridge

1. Build, maintain, manage investor preference
 - a. E-delivery
 1. Provide a means on each physical delivery and on each electronic retail voting platform for account holders to enroll in electronic delivery
 2. Enrolled accounts appear on the e-delivery preference database and receive e-mails with links pointing to the issuer's information and hyperlinks for any response action that can be taken
 3. E-mails that cannot be delivered to the e-mail address on file are divided into 'hard' fails and 'soft' fails
 4. Soft fails are attempted repeatedly and if unsuccessful over 'n' number of attempts become hard fails
 5. Hard fails inactivate the enrollment; the information that was to be sent electronically is sent in physical form to the address on file and the accompanying text requests that the enrollee provide an updated e-mail address
 6. Any subsequent deliveries to the failed email address are routed to the paper process and the enrollment is considered suspended until an updated email address is provided
 - b. Householding
 1. For every new client/account combination encountered in the edit load process generate a householding request.
 2. If client/account fails to notify BR within 65 days of the request that they do not want their account householded with other accounts for the same last name and address, mark the client/account combination as active for householding in the HH database

- c. Managed Accounts
 - 1. Maintain account or account series instructions to redirect material to manager
 - 2. Consolidate multiple underlying accounts into a single distribution
 - 3. Complex business rules at the nominee level to maximize consolidation
 - 4. See 'Proxy Processing for Managed Accounts,' submitted to the NYSE PFAC, November 29, 2010
- d. ProxyEdge/Vote agent
 - 1. Broadridge uses an account master file or custodian group codes to designate which ProxyEdge institutional client or vote agent partner has voting authority over a particular account
 - 2. Maintain Institutional Account master database with relationships between Institution ID, Custodian Account number, holding account number and group code if used
 - 3. Enables consolidation of accounts for the same voting entity to be consolidated across nominees, which significantly streamlines the institutional voting process
 - 4. Provide a means by which 'paper' ballots can be reactivated in the system automatically
- e. Investor mailbox
 - 1. Some brokers have integrated shareholder communication into their electronic client service sites showing items such as proxy and interim distributions as items for attention to pertinent account holders.
 - 2. Provide files of pertinent information or format data to be ingested into broker's system
 - 3. Provide daily file of active e-mail addresses
 - 4. Provide daily file of hard or hard and soft e-fails
- 2. Database updated daily via:
 - a. Electronic feed
 - b. E-mail, fax instructions
 - c. Various online enrollment processes
- 3. Enable unenrollment processes: opt out of householding, e-delivery
- 4. Manage e-fail process – flag account as inactive and send hard copy notification and access instructions for material
- 5. Every record sent by each nominee in its Search and for Record Date response files must be compared to the entire preference database, and then sub-streams are created within each job which consolidate similar preferences prior to actual distribution
- 6. Process contains very complex sets of business rules allowing for determination of 'effective' preference when an account has several, e.g., account redirected to a manager who in turn elects to use ProxyEdge
- 7. Requires ongoing changes and maintenance of sophisticated business rules to maximize the reduction in mailed material
 - a. Default for every position is paper distribution

B. Preference Management requirements of Nominee

1. Provide and maintain account and account range specific distribution processing as well as voting instructions for certain special circumstances via daily transmissions
2. Open firewall to permit Broadridge to provide account instructions it has collected from shareholders
3. Daily e-mail file, e-fails, institutional account master updates
4. Maintain NOBO/OBO status
5. Maintain investment manager overrides

4. Material Distribution

A. Material distribution – Broadridge

1. Create unique distribution streams for each job: physical mail, e-delivery, ProxyEdge, vote agent, taking into account investor preference
2. Householding process requires programs to identify same last name/address across different formats used by each nominee
3. Within physical mail, create sublevel streams to maximize postal discounts
4. Mark each piece with the number of the piece in the print run and the number of the envelope in the print run to which it belongs and the number of the piece within the envelope on a 2D barcode for automated insertion control
5. Receive, inspect, weigh, inventory and warehouse all material
6. Match material to mail media – VIF – and insert
 - a. Run processes for job level piece reconciliation
 - b. Manage all postal receipts
7. Monitor all e-delivery for delivery through Internet Service Providers (ISPs)
 - a. Create one 'bookend' message for each 2,000 outbound e-mails to aid in verifying delivery through major ISPs
 - b. Monitor the e-mail distribution process to ensure that all e-mails created by the mainframe are distributed by the Internet e-mail device
 - c. Monitor the e-fail process and report hard fails back to the clients who maintain their own e-mail addresses
 - d. Manage 'white label' listing with ISPs to ensure delivery through ISP spam filters, follow up on issues identified in (i) and (ii) above
8. Manage ProxyEdge/vote agent process
 - a. Meeting information is sent to ProxyEdge and CDF (consolidated data feed for vote agents) as soon as the job is set up
 - b. Agenda and ballot information is sent to ProxyEdge and CDF when the information for the job is distributed
 - c. ProxyEdge information is held in an Oracle database which is updated with new meeting, agenda and ballot information daily, shortly after midnight of the day the job was created or sent to production for distribution
 - d. Similar files are sent to the major vote agents to allow the tight coupling of their electronic voting systems with ProxyPlus

- e. The vote agents confirm back that they have been able to integrate the ballots sent them on a ballot level which implies that the meeting and agenda information pertinent to that ballot is also available
- 9. Manage material surplus
- 10. Create reports for issuers, nominees on status, etc., maintain for 7 years
- 11. In order to insure that material distribution can continue without interruption
Broadridge has in place a business continuity plan that requires two redundant highly protected data centers separated by approximately 1,200 miles, each of which can deliver print output to any of five remote print locations via IP print protocol

B. Material distribution requirements of Nominee

- 1. Monitor distribution dates, respond to queries, replace lost material

5. Client Service

A. Client services: Issuers / Nominees / Institutions – Broadridge

- 1. Respond to an average of 10,000 phone and 40,000 e-mail inquiries monthly, with large spikes during proxy season
- 2. Provide full functionality on icsonline for nominees, issuers and agents: receive more than 1.5 million inquiries annually
- 3. Guide issuers through process – only once a year activity for most issuers
 - a. Especially demanding with regulatory changes: Rule 452, Say When On Pay
- 4. Provide direction on any and all regulatory change
- 5. Implement and maintain online tools
- 6. Respond and take action on items requiring reconciliation to DTCC
- 7. Maintain records for 7 years

B. Client Services: shareholders, branches, issuer requirements of Nominee

- 1. Respond to 7,500 inquiries per year per broker (30 per day on average with higher peaks during season)
- 2. Maintain website and other educational media for branches and clients re meeting dates and agenda, legal proxy requests, NOBO/OBO choice, client preference options such as householding, e-consents
- 3. Special handling of 401k plans, split and partial voting of omnibus accounts, SPAC's, complaints re solicitor calls
- 4. Respond to issuer requests for information regarding unvoted shares
- 5. Educate clients about margin positions, rehypothecation impact on voting, control numbers
- 6. Remind clients with significant holdings to vote
- 7. Respond and take action on items requiring reconciliation to DTCC

6. Vote Processing and Issuance

A. Vote processing, issuance, reporting, audit – Broadridge

1. Manage and maintain nominee specific vote processing instructions:
 - a. No discretionary vote
 - b. Proportional vote
 - c. Proportional vote distinguishing retail and institutional accounts
 - d. Standing instructions for some brokers for certain accounts or ranges of accounts, e.g., proprietary trading accounts
 - e. ProxyEdge clients can provide general instructions based on proposal classification code, e.g., always vote for management and against shareholder proposals; or they can provide specific standing instructions at a lower level of proposal classification code granularity, e.g., always vote '3' for proposal category code 029413 which is one of the 'say when on pay' proposal options.
 - f. Standing Instructions are recorded when the job is distributed.
2. Maintain the over reporting prevention service
 - a. Real time workflow tool matching DTCC position data with nominee position data and investor voting
3. Process, monitor, report, reconcile and audit ProxyVote, telephone, ProxyEdge, vote agent voting
 - a. ProxyVote.com and telephone voting are supported by multiple sites with multiple servers in each site and a backup copy of the database available at the secondary site in the event that the primary database site is not available.
 - b. Shareowners can instruct their positions 24X7X365
 - c. Mobil Device Voting is being introduced for the 2011 Proxy Season
 - d. Vote agents provide vote files at scheduled intervals throughout the day which are designed to coincide with the various vote reporting cycles
 - e. Each vote file received is edited in a validation routine and a validation file is returned to the vote agent indicating the number of votes in the transmission, the number that were accepted based on the edit and the number that were rejected along with a reason for the rejection so the instruction can be remediated and include in the next vote file.
 - f. All of these vote file and validation file transmissions are encrypted in a secure file transfer protocol supplied by Broadridge
 - g. Incoming VIF returns are sorted based on a post-net bar code that is displayed through a window in the return envelope. The sort criteria is variable, but the basic process is to process those that are closest to meeting date, those that have high share amounts and those that involve special processing first and then process those that are further away from meeting date.
 - h. Generally all VIF returns received in a given day are processed in the day they are received.
 - i. Capacity required to process > 2 million paper returns/day

4. Monitor, process audit and reconcile all manual voting, e.g., faxed instructions
5. Support direct online voting by nominees through icsonline
6. Aggregate voting across all nominees
 - a. Monitor, process, report, audit all aggregated voting
7. Report 15 days out, then every day from Meeting Date-9 to Meeting Date, including up to 3 day of meeting votes
8. Third party audit of all processes
9. Provide access to all voting through icsonline, paper client proxies
10. Maintain records for 7 years

B. Vote processing requirements of Nominee

1. Some nominees instruct on behalf of their clients
2. Nominees can instruct client positions via ProxyVote.com, Telephone voting or via icsonline
3. Vote reconciliation: pre- or post-distribution
 - a. Over-reporting service monitoring, adjustments, work with tabulators to resolve differences
 - b. Management of multiple custodians, registered positions, DTCC adjustments, voting positions held outside DTCC
 - c. Establishment of Rule 452 broker vote and proportional voting parameters.
 - d. Exception and performance reporting, site visits and audits – internal and with Broadridge
 - e. Communicate voting opportunities to proprietary desks
 - f. Books and records reconciliation/custody reconciliation – prior to distributing vote instructions to clients
 - a. Maintenance of client copies