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Ms. Florence E. Harmon  
Acting Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington DC 20549-1090

Dear Ms. Harmon:

We appreciate the opportunity to comment on file number 4-567, Roundtable on Modernizing the SEC's Disclosure System. Broadridge supports the 21<sup>st</sup> Century Disclosure Initiative's mission of identifying ways in which technology, in general, and interactive data and the IDEA database, in particular, could be utilized to improve disclosure for investors in U.S. markets. In seeking to design an improved disclosure system, the 21<sup>st</sup> Century Disclosure Initiative (hereafter, the "Initiative") is guided by a number of fundamental objectives; chief among these is the need to enhance investor protection while *simultaneously* providing greater efficiencies to filers and other participants.

Broadridge has significant experience in technologies and processes associated with investor communications, including periodic financial disclosures, proxy information, and mutual fund prospectuses. For example, we provide the timely and efficient means by which over ninety million accounts access information and participate in approximately 14,000 shareowner meetings each year. We also provide technologies and processes by which tens of millions of mutual fund accounts access prospectus information in conjunction with fund purchases. We track statistics on investor participation as well as costs associated with information delivery and access. Broadridge is building new capabilities to support the SEC's rules on electronic shareowner forums. We are also developing capabilities to support interactive data and, consistent with this goal, we recently donated to XBRL U.S. an open-source program for proxy statement information (Schedule 14A).

We have a substantial body of empirical information on participation and efficiency. In depth information is available for such technology-based SEC rules as householding, electronic delivery, electronic voting, and Notice & Access, among others. There is also a wealth of information on activities that have been tried, activities that function as intended, and pitfalls to be avoided. The Initiative may find this data to be of use in developing its blueprint for 21<sup>st</sup>

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century disclosure. We have footnoted several sources of information, and we would welcome an opportunity to provide additional data in any manner that would be helpful.<sup>1</sup>

Based on empirical information, as well as practical, real-world experiences in providing information to millions of investors, we would offer the following observations for achieving efficiency and participation in a 21<sup>st</sup> century disclosure system that seeks to leverage interactive data and the SEC's IDEA database.

- **Efficiency and participation can both be increased by improving an investor's online experience, and by providing added access points, consistent with current preferences for information delivery.** Broadridge's Investor Mailbox® is one example of how these objectives can be met at the same time. Investor Mailbox is installed on the websites participating broker-dealers provide to their account holders. The Investor Mailbox screen is presented to account holders immediately after they log in. It lists communications for account holdings -- including proxy statements, corporate actions, account statements, and trade confirmations. It provides links to additional information, including SEC filings. Investors can execute a number of actions online, including voting their proxies and enrolling in e-delivery. For participating brokers and investors, consents to e-delivery have increased by a factor of three within a year of installation.

Investor Mailbox is one way of providing a better online experience. Because this experience is provided to investors as an additional capability, without mandating a change in information delivery, the effect on participation is positive. Investors continue to receive information by either hard copy or electronic delivery, consistent with their current delivery preferences and Investor Mailbox offers an added access point. Open enrollment to e-delivery is widely available and actively encouraged. Attracted by the many useful functions and features of this natural "task environment," investors are electing e-delivery of information in increasing numbers and, as a result, there are increasing efficiencies in the disclosure process. The adoption by the SEC of rules for XBRL would lead to further improvements in the online experience and, as a result, we believe even more investors would positively consent to electronic delivery.

- **Providing Internet-based functionality in conjunction with current methods of information delivery results in greater participation than does providing Internet availability of disclosures alone. When it comes to millions of individual investors,**

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<sup>1</sup> For examples, please refer to: (i) Broadridge Comment Letter to the U.S. Securities and Exchange Commission, re: file no. S-10-05, February 13, 2006; (ii) Annual Proxy Season Key Statistics & Performance Ratings, Broadridge website; and (iii) Monthly Statistics on Notice & Access, Broadridge website.

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**Internet “access” is not a replacement for information delivery.**<sup>2</sup> The SEC’s Notice & Access rules (“Notice of Internet Availability of Proxy Materials”) are an important example of the real-world complexities involved in developing new disclosure systems to both enhance efficiency and increase the participation of individual investors. During its first full year of utilization, the new method provided incremental cost efficiencies to registrants. The net savings on printing and postage costs are estimated to have exceeded \$140 million because, instead of sending a complete package of information, registrants can at their option send a simple Notice of Internet availability.<sup>3</sup>

However, Notice & Access rules had unintended consequences to investor participation in over 40 million accounts. The new method reduced voting participation, and “eyeballs,” among Main Street investors. Voting by individual investors decreased by over 70%.<sup>4</sup> In addition, where tracked, fewer than 4% of Notice recipients visited the specified URL to view the information.<sup>5</sup>

Interestingly, the statistics on Notice & Access indicate that greater numbers of investors use the Internet when their current delivery preferences are utilized. Some observers were surprised to learn recently that usage of the Internet for proxy voting is greater among investors that receive hard copy materials than it is among investors who receive a mailed Notice of Internet availability. Recent statistics indicate that Internet voting rates

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<sup>2</sup> Prior to Notice & Access rules, over 80% of respondents to multiple surveys indicated that they read some, most, or all of their proxy information; fewer than 15% indicated they never read the information or simply throw it out. Refer to: (i) “Investor Attitudes Study,” commissioned by NYSE, conducted by Opinion Research Corporation, April 7, 2006; (ii) “Views of the Individual Investor Toward Internet-Based Delivery of Company Proxy Materials,” telephone survey of investors ages 25 and older, commissioned by AARP, conducted by Woelfel Research, February, 2006; (iii) “Telephone Survey of Individual Investors,” commissioned by Broadridge, conducted by Forrester Research, January, 2006; and (iv) “Impact of the SEC’s Notice & Access Proposal: An Online Survey of Consumer Reaction, Attitudes, and Motivations,” commissioned by Broadridge, conducted by comScore Networks, January, 2006. For reference purposes, baseline surveys of mutual fund prospectus ‘access’ indicate that 40-50% of mutual fund investors read some, most or all of their mutual fund prospectus information. Among those who read the information, approximately 75% prefer hard copy versions (mail and/or printout). Refer to: (i) “Use of the Internet by Mutual Fund Investors,” Forrester Research, March 20, 2006; and (ii) “Understanding Investor Preferences for Mutual Fund Information,” Investment Company Institute, 2006.

<sup>3</sup> Includes all 653 companies that used the Notice & Access method from July 1, 2007 to June 30, 2008. Based on actual postage rates and NIRI estimates for the costs of printed materials.

<sup>4</sup> Based on voting for all 586 annual meetings using the Notice & Access method, as of June 30, 2008.

<sup>5</sup> Based on the access actions of 812,772 Notice recipients, at all forty shareowner meetings that occurred from June 1, 2008, when systems for “eyeballs” tracking were initiated, through September 26, 2008.

averaged 23% for investors who received hard copy proxy information. In contrast, Internet voting rates averaged only 3% for investors who received mailed Notices.<sup>6</sup>

- **Mandating changes to underlying “defaults” for disclosure delivery is a pitfall. It has been shown to negatively impact participation of millions of investors.** At an SEC panel on October 8, ‘cutting the lifeboats’ was offered by one panelist as an idea to get more investors to go online – that is, it was suggested that most investors would go online if it were the mandated option for accessing disclosure information. Notwithstanding the constructive intentions behind this idea, the data suggest such a strategy would predictably result in less access to information for current investors. Under Notice & Access rules, registrants decide whether or not to utilize the new option; the provision of Notices is not based on prior consent by investors. By requiring investors to take new, seemingly small steps to access information, the new method unintentionally impedes access for millions of investors. Numerous studies by behavioral economists -- in such areas as “rebates” for purchases of consumer electronics and participation in 401(k) savings programs -- indicate that small changes in defaults can create significant barriers to action, even when it is in one’s economic interest to act.<sup>7</sup>

The SEC’s 21<sup>st</sup> Century Disclosure Initiative is an opportunity to design a disclosure system that provides additional benefits to investors, based on user-friendly, interactive information and innovations in new tools. When new capabilities are provided in ways that offer investors more choices, without mandating changes to current preferences and defaults, the risks of leaving large numbers of individual investors behind are minimized and the likelihood of greater Internet access for disclosure purposes increases.

An approach outlined in proposed rules for mutual fund summary prospectus delivery may offer a useful path. Provisions for layered disclosure and interactive data provide additional functionality for online users. These added improvements are likely to encourage more investors to want to access information electronically. At a minimum, mutual fund investors would continue to receive key summary information, consistent with existing preferences, albeit in a

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<sup>6</sup> Includes all forty annual meetings from June 1, 2008, when systems for “eyeballs” tracking were first initiated, through September 26, 2008. A total of 110,118 accounts received full sets by mail, based on prior consents and issuer stratification of mailings. A total of 812,772 accounts received a Notice-only by mail.

<sup>7</sup> Refer to: (i) “Defaults and Deciding to Use Information,” a summary of studies on default programs by Eric Johnson, Columbia Business School, commissioned by Broadridge, January, 2006; and (ii) “Channel Factors that Block Psychologically Effective Access,” a summary of studies on default programs by Daylian Cain and Sendhil Mullainathan, Harvard University, commissioned by Broadridge, January, 2006.



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more user-friendly standard format. The proposal avoids potential pitfalls associated with requiring investors to confirm their preferences again in order to receive basic information.

We would welcome an opportunity to share additional information with the Initiative.

Sincerely,

A handwritten signature in black ink, appearing to read "Callan", with a long horizontal line extending to the right.

Charles V. Callan

cc. The Honorable Christopher Cox, Chairman  
Commissioner Luis A. Aguilar  
Commissioner Kathleen L. Casey  
Commissioner Troy A. Paredes  
Commissioner Elisse B. Walter  
Mr. James Kaput  
Dr. William Lutz