US Securities and Exchange Commission

Comments on; File No. S7-14-10
Concept Release on the U.S. Proxy System
Reference: RIN 3235-AK43

Thank you for the opportunity to respond to the above consultation.

SWIFT background and general comment

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect over 9,000 banking organizations, securities institutions and corporate customers in 209 countries. SWIFT enables its users to exchange automated, standardized financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies. SWIFT also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest. For more information, please refer to our website www.swift.com.

SWIFT is also engaged in ISO processes for the Financial Industry, notably ISO 20022, which defines business processes and message definitions to support those processes. ISO 20022 standard messages for Proxy Voting were developed in 2007 and 2008. These messages were developed by global participants in the process, including participants from the U.S. The messages are supported on the SWIFT network, but are also available for use on other networks, as they are an ISO standard and in no way proprietary to SWIFT.

SWIFT supports data and process standardization to create efficiency, transparency and overall effectiveness of business transactions and processes.

SWIFT suggests that underlying data standardization for all proxy voting processes is fundamental to address the timeliness, administration, and other systemic concerns outlined in the Concept Release. Since securities intermediaries are a key component in the process, having many competing formats and data

structures for communication, without harmonization, fosters opacity, errors and inefficiency in the announcement, voting, and dissemination of results for proxy voting. If, however, all parties work from a common business model and data definitions, from the issuer to the investor, then the process can be optimised. In addition, every shareholder, regardless of servicer or issuer, would benefit from the use of a familiar structure and common electronic format.

SWIFT recommends the ISO 20022 Proxy Voting messages referred to above for electronic communications in servicing investors through the chain of securities intermediaries and third-party providers executing the process.

Furthermore, issuers should announce meetings, including all resolutions and process voting, using the same standard. SWIFT suggests that XBRL, using a taxonomy based on and aligned with the ISO proxy voting messages, be used for meeting announcements by issuers. This leverages the corporate investment in XBRL already mandated for financial announcements and which is currently being promoted for corporate actions. It also means that the issuer mandates the data that must flow throughout the chain to the investor, rather than creating risk by publishing only text-based information. This is a similar rationale to the SEC mandate for financial corporate reporting, which uses XBRL to ensure standardized data supports quarterly and annual corporate filings, overcoming the limitations of a text-based publication of financial results.

SWIFT comments by topic

Please find below our response to the questions on which we would like to comment. In general SWIFT does not wish to express any opinion on any substantive, policy related question. SWIFT does, however, advocate that several of the concepts described or intimated by the questions would be difficult to implement without a standards-based approach for all proxy voting related communications across the market.

III. Accuracy, Transparency and Efficiency of the Voting Process

A. Over-voting and under-voting

Consistent use of harmonized standard messaging helps provision the maximum time period for investor decision making, from receipt of first announcement to the cut-off to send vote decisions through the chain to the proxy. The use of standardized messages largely removes manual rekeying efforts and eliminates reconciliation between varying formats. This will help reduce under-voting due to compressed deadlines as set by servicing intermediaries to allow time to deal with multiple methods, formats, standards, and related manual-processing to process voting.

Standard messages and straight-through-processing also help prevent accidental over-voting by ensuring the entitlement amounts are correct and that lent shares are not voted by the lender.

B. Vote Confirmation

Shareholders and custodians, on behalf of shareholders, have not had a systemic process in the past to verify the lodging of results by proxy at a shareholders' meeting. There are automated processes and legacy ISO messages to support the capture of a vote that is intended to be cast by proxy. However, until the new ISO 20022 Proxy Voting message suite was developed, there was no systemic or standard method to acknowledge that the votes presented by proxy were accepted and tabulated, nor a way to reflect any discrepancy in the process of tabulation back to the investor.

SWIFT suggests that the business process captured and expressed in the ISO 20022 Proxy Voting messages supports the full lifecycle of the proxy voting process, including the lodging of messages at the meeting by the proxy and the dissemination of results of the meeting to the shareholder. With a standards-based process in place, the shareholder, and all servicing intermediaries, will now have the capability to match the announced resolutions, entitlement and votes submitted via proxy and electronically, against the votes actually lodged at the meeting, and thus are able to quickly and efficiently observe the outcome.

C. Proxy Voting by Institutional Securities Lenders

2. Lack of Advance Notice of Meeting Agenda

A standards-based messaging approach across the market would ensure that advanced notices, updates, and amendments are delivered in the most efficient and electronic manner possible. Standards will facilitate automation to ensure delivery of key information with minimal workflow interruption through the servicing agents of financial intermediaries. A web site posting may be helpful, especially for background information, but a publicly available data file, such as with XBRL based on the ISO 20022 Proxy Voting standard, would mean immediate and systematic dissemination of the key information. It also would mean that the issuer manages the key information without relying on intermediaries to interpret the data.

3. Disclosure of Voting by Funds

No comment from SWIFT.

D. Proxy Distribution Fees

No comment from SWIFT

IV. Communications and Shareholder Participation

A. Issuer Communications with Shareholders

ISO 20022 Proxy Voting messages support OBO / NOBO schemes mandatory in a variety of markets, with a flexibility that would help in a transitional or new implementation to such a scheme in the U.S.

B. Means to Facilitate Retail Investor Participation

In our view greater consistency of format, enumeration, data structure, and general organisation, i.e. consistent standards, will serve to facilitate retail investor participation.

C. Data-Tagging Proxy-Related Materials

Q1 Should we permit issuers, including funds, to provide proxy statement and voting information to the Commission and on their corporate Web sites, if any, in an interactive data format? If so, are there benefits to one tagging language (e.g., XBRL) over another?

We take the view that the publication of proxy statement and voting information would benefit from an approach that moves the market towards the adoption of common formats and standards. We believe that XBRL, when aligned with ISO 20022, provides the best way forward here, as it already does for the publication of periodic financial information in the United States.

There are particular benefits to this approach. Much of the processing difficulty currently associated with this area can be removed by the increased process automation which XBRL can bring. This would reduce costs for end investors, as well as providing issuers with greater assurance that all of the correct details relating to a vote were being made available to their end investors in a reliable way. Taxonomies for proxy statements and voting information can be developed, and here the precedent recently set by the development of taxonomies for corporate events should be acknowledged and considered. The development of XBRL taxonomies for corporate events has been progressing in order to facilitate more efficient processing and reduced failure rates in this area (for further information on the XBRL corporate events initiative please refer to www.xbrl.us/i2i).

Q2   If we permit or require interactive data for the information contained in a proxy statement, should we permit or require it for only a subset of that information, such as executive compensation, director experience and other directorships, transactions with related persons, or corporate governance? Should we permit or require it for only a subset of executive compensation information, such as the Summary Compensation Table, Director Compensation Table, Outstanding Equity Awards at Fiscal Year-End Table, or Compensation Discussion and Analysis?

The best approach would be to ensure that all information is available in XBRL subject to the feasibility of the development of the required taxonomies.

Q3   Would it be useful to investors for issuers to provide their proxy statement and voting information, or some subset of that information, in interactive data format? If so, would it be useful for issuers to provide the information both to the Commission and on their corporate Web sites, if any? Would data-tagging enable investors to access proxy information more easily or to compare information regarding different issuers and/or changes in information over time with respect to a specific issuer or a set of issuers? Would this ability result in better informed voting decisions?

It is useful for this information to be made available to all parties and via all possible channels in an interactive data format. We believe that this format should be XBRL aligned with ISO 20022. Straight through processing of proxy events can be effectively enabled as a result of the capture of key information by XBRL from the source documentation and subsequent processing support in the ISO language of the financial industry.

Here again we would echo the progress being made for corporate events, where data tagging combined with standard open messaging formats, provides a mechanism by which intermediaries can more easily and accurately process issuer documentation. This ensures that correct details are provided to end investors in a timely, cost effective way and with reduced risk of error.

Q4.   Would requiring issuers to provide proxy statements and voting information in interactive data format assist issuers in automating their business information processing?

In our view the process of communicating proxy statement and voting information, which very typically includes intermediaries, can benefit from increased automation. The essential first step is the data tagging with XBRL discussed above. This can be combined with downstream messaging in standard message formats. SWIFT has developed a proxy voting solution which automates proxy voting information flows. Meeting notification, voting, confirmation and results dissemination messages have been defined using ISO 20022 XML-based standards. This solution enables issuers, investors and all intermediaries in the proxy voting chain, including custodians, exchanges, central securities depositories (CSDs) and proxy agencies, to communicate information electronically in a fully standardised way.

Eight ISO 20022 proxy voting message standards fully support the communication needs of core proxy voting activities. These XML messages offer a far more complete solution in this area than the ISO 15022 corporate action messages that have been deployed in the past for proxy voting. As compared to these earlier messages, the XML messages accommodate today's proxy voting complexity, and cover the complete lifecycle of messaging required to provide a full audit trail. The ISO 20022 messages also offer a global, standards-based alternative to proprietary messages. As already mentioned, the messages include meeting notification, voting and confirmation of voting results.

The messages are supported as part of a proxy voting messaging service offering full automation and audit trails on the SWIFT network. It is important to note however that the ISO standard message formats themselves are an open standard, available for use on any network. Use of these messages on whatever network they are transmitted would be optimised if the initial data required to populate them could be available via XBRL tagging.

V. Relationship between Voting Power and Economic Interest

A. Proxy Advisory Firms

No comment from SWIFT.

B. Dual Record Dates

No comment from SWIFT.

C. "Empty Voting" and Related "Decoupling" Issues

Efficient and accurate standards-based communication with virtually no need to accommodate manual rekeying or other work will significantly reduce situations where the selling shareholder retains the right to vote although no longer with an economic interest in the shares.

With tagged and standardized communications, any disclosure related to monitoring potential decoupling or empty voting can be readily exhibited and audited as needed.

We trust that the above suggestions and comments are found to be of help. If we can offer clarification or further help on any of the topics covered in this response please let us know.

Yours sincerely

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