



National Investor Relations Institute

225 Reinekers Lane, Suite 560, Alexandria, VA 22314  
(703) 562-7700 FAX (703) 562-7701  
Website: www.niri.org

March 7, 2013

Elizabeth M. Murphy, Secretary  
U.S. Securities and Exchange Commission  
100 F St, NE  
Washington, DC 20549-1090

**Re: Comment Request on Proxy Fee Changes, File No. SR-NYSE-2013-07**

Dear Ms. Murphy:

This letter is submitted on behalf of the members of the National Investor Relations Institute (“NIRI”). Founded in 1969, NIRI is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts and other financial community constituents. NIRI is the largest professional investor relations association in the world with more than 3,300 members representing over 1,600 publicly held companies and \$9 trillion in stock market capitalization.

NIRI appreciates the opportunity to comment to the Securities and Exchange Commission (“SEC”) on this proxy fee proposal. NIRI supports transparent, fair, efficient and robust capital markets. Vital to such capital markets are comprehensive, transparent corporate communications with current and prospective shareholders. The proxy system is a central mechanism for these communications. We believe that, although there are a number of positive elements of the New York Stock Exchange’s proposal on proxy fees, they do not address certain fundamental issues regarding how proxy fees are determined and the SRO responsible for setting them.

**Relevant Background:**

NIRI last sent correspondence to the SEC on the proxy system as part of the SEC Concept Release on the U.S. Proxy System (S7-14-10) on October 20, 2010. At that time NIRI stated:

*“First, NIRI believes the many corporate governance provisions of the recent Dodd-Frank legislation increase the urgency of this review, and serve to highlight the need for a proxy system that is accurate, cost-effective and without the potential for error. The street name aspect of the proxy system is unique and of tremendous importance to corporate governance. Street name holders are in many cases (OBOs) unknown to issuers making direct communications impossible. As we move toward an environment of greater shareholder influence on corporate governance matters, the ability of companies to know these holders, communicate directly with them and encourage them to vote becomes a high priority, particularly in close vote situations or even to achieving quorum. In a world of global investors, impacted by changes in technology, trading and volatility, improving our complex proxy system is an issue of global competitiveness for U.S. capital markets and corporations. NIRI urges the SEC to commission an independent third party audit of the current fee structure as recommended by the NYSE Proxy Working*

*Group several years ago. This audit would evaluate all cost components of the proxy system in order to ensure that costs are being properly allocated and reimbursed by issuers. As the entire U.S. proxy system, from shareholder to issuer, becomes more transparent and verifiable, it seems fitting that an independent examination of fees would verify that “pass through” costs are just that.*

*Second, NIRI believes it is inappropriate for the NYSE to set proxy distribution fees given the evolution of the markets and the growing disconnection of trading from listed company services. This role, in NIRI’s opinion, should be held by a disinterested, independent regulatory body such as the SEC or FINRA.”*

### **2013 NIRI View:**

NIRI reiterates its belief that a third-party audit of proxy distribution fees is the best way to ensure that fees are reimbursed fairly, equitably and objectively, thereby eliminating the vested interests of those involved directly and indirectly in the process. The NYSE Proxy Fee Advisory Committee’s (“PFAC”) report dated May 16, 2012 and the corresponding proposed amendments in this filing provide positive fee change suggestions, but the proposal does not include a recommendation to initiate an independent audit of these fees. Without the transparency such a third-party audit would afford, any proposal to adjust fees is akin to “putting the cart before the horse,” and it is highly likely that many issuers will continue to question the accuracy of proxy fees. Related to the oversight of proxy fees, NIRI also reiterates its position that it makes little sense in today’s financial markets for the NYSE to set proxy distribution fees.

### **NIRI’s Position on the Proxy Fee Proposal:**

Despite NIRI’s belief that proxy distribution fee setting should have a stronger, unbiased basis, we are pleased with several of the PFAC report provisions as noted below:

1. Changes to proxy fee categories to help issuers better understand fee charges.
2. Reduction in managed account fees.
3. Changes to include Notice & Access fees as part of the NYSE proxy fee schedule.
4. Fee reductions reflecting cost savings in the proxy distribution process.

Corporate investor relations professionals are responsible for communicating with current and prospective investors, monitoring and understanding stock trading activity, and a variety of other responsibilities as part of their role in financial communications. As such, NIRI is very pleased that two key PFAC recommendations are included in this SEC filing:

1. The ability to obtain stratified NOBO lists is a very positive step in improving shareholder communication. NIRI strongly believes that this change would help issuers to communicate more frequently with shareholders by decreasing the costs to purchase a segment of the NOBO list. NIRI encourages the SEC to consider approval of this change without any time limitation and to make it available on an ongoing basis.
2. The Enhanced Broker Internet Platform (“EBIP”)/Investor Mailbox program is a proposal that may dramatically increase retail shareholder proxy voting participation. NIRI believes that broker and investment advisor websites, which individual shareholders

increasingly look to as the sole portal for their investment needs, offer one of the most viable paths for engaging individual shareholders in the voting process. NIRI is pleased to support this provision and believes the fee and evaluation structure makes good sense.

**Related Comment:**

Many aspects of U.S. capital markets are in need of reform, including the system for shareholder communication and transparency. NIRI recognizes a need for greater transparency within the investment community, and supports a reporting regime that promotes more timely and frequent equity ownership position directly with investors. Improved equity ownership transparency will also enhance the proxy process, furthering publicly-traded companies' efforts to serve the needs of all shareholders through direct issuer/shareholder communications. A February 4, 2013 SEC rulemaking petition (4-659: <http://www.sec.gov/rules/petitions/2013/petn4-659.pdf>) outlines our views on this matter. Such a system would benefit issuers and investors, enabling issuers to identify and communicate. NIRI believes these and other changes are necessary enhancements to our capital markets that will improve investor protection, maintain fair, orderly and efficient markets, and facilitate capital formation.

**Summary:**

The proxy process continues to be a costly, challenging area for issuers to navigate on behalf of their shareholders, which lends further support to our belief that a different SRO would be better positioned to oversee the proxy process. Conducting an objective third-party audit to substantiate the costs involved in properly administering proxy materials would represent a significant first step toward recasting proxy fees equitably and objectively. Further, while the fee proposal submitted by the NYSE contains a number of positive advances that we fully support, we believe it is just a first step in evolving our proxy system and we hope the SEC will consider even farther reaching changes.

NIRI welcomes the opportunity to discuss this and other relevant subjects, and appreciates this opportunity to comment about proxy fee reform.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey D. Morgan". The signature is fluid and cursive, with the first name being the most prominent.

Jeffrey D. Morgan, CAE  
President & CEO