

Leveraging Technology to Create A New Era of Market Transparency, Participation, and Fairness

Thank you, Sal. It is great to be here today, to be part of this gathering, and especially to be doing it at the Zarb School. Frank Zarb's service and contribution to our markets and to corporate governance are an inspiration for many of us. This gathering and the work we are doing here today is a fitting tribute to him, and I thank Hofstra for making it happen. The distinguished panel that is about to comment is a tribute both to him and to the Zarb School, and I thank them as well.

As I have thought about how we at Broadridge can make our own contribution, I have reflected on the many challenges facing our markets and system of Corporate Governance today. I firmly believe that, by joining together, we can make a huge difference for those that come after us. I am going to talk today about how we can make that difference by beginning the effort to harness technology to create a new era of market transparency, participation, and fairness. This is critically important, because the credibility of our markets has been severely challenged. Led by the SEC and others, under the auspices of recent sweeping legislation in the form of the Dodd-Frank bill, we are in the midst of a once-in-a-generation effort to lay down a new market and governance framework. And as we lay down that new framework, it is critical that we recognize the positive potential of technology.

To show how this is the case, I will focus on four simple questions:

1. What are the new challenges we face?
2. How do these challenges affect investors and issuers (including corporate boards)?
3. How can technology make a difference?
4. And finally, how do we get from here to there?

New Challenges

First, the challenges. I said earlier that the credibility of our markets has been severely challenged. That challenge will continue because new developments are stressing the model of retail and institutional investment and governance that has sustained our success for so long.

The world has become much more complex. Disruptive market changes like the explosive growth of new derivative and structured instruments, high frequency trading and dark pools make it more complex. Investing boundaries are broader than ever before. And now, through technology, we are living in a 24x7, highly mobile society. This complexity has significantly reduced real and perceived transparency.

As a result of this, and of other well-intentioned changes like Notice and Access, retail voting participation on governance matters has fallen dramatically. Retail participation has fallen from 20% four years ago to less than 5% on accounts with mailed notices this past year.

This reduced participation in key governance issues is coming at a time when the need for two-way communication with shareholders is dramatically increasing. New regulatory changes intended to correct some market weaknesses, like Say on Pay and Access to the Proxy, are creating new needs for Managements and Boards to need to reach and hear back from shareholders. But time-strapped shareholders are participating less and less.

Implications

Let's turn now to the implications. These changes – reduced transparency and participation just at a time of increased need – threaten the soundness of our market paradigm built on the notion of fair access for all. They have profound implications for investors, issuers, and intermediaries.

For investors, confidence in their ability to gain attractive returns with understandable risk is much lower. We live in a world where investor confidence has been shaken. Whether it is Enron, Madoff, or Lehman, everyone asks (after the fact) “where was the transparency? How could shareholders not have known? How could the Board not have known?” This lower confidence is reflected in fewer individual investors. As part of our proxy business at Broadridge, we track individual stock record positions. And after years of increases – sometimes at double digits – we have seen slow to flat or even negative growth for the first time in 20 years. Historically, growth in our economy has paralleled retail investor participation. Now retail investors are on the sideline in part because they are not sure there is a level playing field. At the same time, lower retail vote participation shows that the skeptical and time-pressed investors that remain are participating in governance at a lower rate.

For Directors and management of issuers, there is a growing disconnect between their increasing need to communicate with shareholders and their shrinking ability to do so. Directors have a significantly increased need to form independent opinions about key shareholder topics. Boards and Management alike need to better understand the sentiment of their shareholders. And Say on Pay, Access to the Proxy, and other changes are increasing the need for two-way communication. Yet as fewer materials are opened or read, and as voting participation shrinks, the ability to communicate is getting tougher, not easier.

Finally, for intermediaries the lack of engagement of the retail investor is not a good sign either. As these changes impact investors, issuers, and intermediaries, our historic ability to create wealth and jobs, previously fueled by the fundamental health of our capital markets, could be at risk.

A New Technology-Enabled Era

But at Broadridge, we believe technology can positively change that. Our thesis is that new technologies are creating the opportunity to resolve these issues and take transparency, participation, and fairness to a new level. Let me repeat that. New technologies are creating the opportunity to resolve these issues and take transparency, participation, and fairness to a new level.

The explosive growth of Social Media is creating a new paradigm that is transforming how people spend time and make critical decisions. Technology now enables you to know what your high

school classmate (who you don't even remember) has done the last 30 years (and the last 30 seconds). That same technology can provide knowledge transfer, voting participation opportunities, and transparency between shareholders, Boards, management, and regulators at levels that could prevent many of the financial mishaps over the past decade. A true Investor social network could both prevent these mishaps and raise investor confidence.

A combination of technology enabled solutions currently being considered by the SEC including vote confirmation, client-directed voting, and broker-linked shareowner forums can begin to bring this new paradigm to capital markets. And dozens of forward-thinking issuers have begun to capitalize on this promise by using virtual technology to enhance their annual meeting. Broadridge's own recent online Annual Shareholder's meeting garnered more than ten times the shareowner participation than our last meeting that was held without an online presence.

The basic message is that technology can create transparency. And it is possible through technology to uniquely validate investors, which isn't possible in other internet forums. When your kids go online, there is a chance that the person they are chatting with isn't really who they or you think. What is unique about an Investor social network is that we can know with complete confidence that the person whose post you are reading or with whom you are communicating is an actual investor, and that changes everything.

The exciting thing is that this technology exists today and can be rapidly implemented. To see how it works, let's take a few minutes to demonstrate a few examples.

[Video Demonstration]

This technology can bring huge benefits to investors, issuers, and intermediaries. And it is here today and beginning to be implemented by leading companies.

The Way Forward

So how do we move forward to capture technology's full potential? Using technology to create the next era of transparency, participation, and fairness is the right solution for today's technology-driven markets.

Some believe we can wait and see. They believe these developments, if they have merit, will take hold by themselves. But the truth is that changing the paradigm rapidly for all investors will require regulatory support. These changes require complex support from issuers, intermediaries, investors, and regulators, all of whom have their own needs. Historically, getting these disparate groups going in the same direction has required regulatory leadership. And we need to work with intensity and urgency to help investors regain confidence in our system of markets and governance.

As I said earlier, we are about to embark on a once-in-a-generation opportunity to reshape and lay down a new market and governance framework. Who today would launch any new major effort without considering Social Media? Why should this be different? Giving issuers the right to use this new

technology as part of the rule-making around the SEC's concept release is all that is required to take a big step forward.

This change is very doable, and it can have a profound impact. Greater transparency, more participation, and a fairer market for all --these are straightforward ideals. Social media technology leveraging a new Investor Network has the power to help address the challenges our capital markets face while driving us toward a new era where greater transparency, more participation, and a fairer market for all are not just ideals, they are a reality.

Thank you very much. We at Broadridge look forward to using these tools to serve issuers and investors much more robustly in the near future. And I look forward to healthy capital markets that support a bright future for all of us and for those that follow.