

WHAT'S RELEVANT?

A Quarterly Update of AST's Executive Advisory Council

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Executive Advisory Council



INDUSTRY STUDY
•TECHNOLOGY•
2018

AST Corporate Issuer Technology Needs Study 2018

WHAT CORPORATE ISSUERS WANT FROM THEIR SERVICE PROVIDERS

The AST Industry Study is a program of research, which has the over-arching goal of providing an independent look at the current and future needs of issuers and shareholders, and to identify ways to best address those needs. This next-step Industry Study project provides an in-depth look at what corporate issuers need and want in technology including their ideas, industry trends and solutions. The date of this study is April 2018.

In a new study, AST has found that corporate issuers are embracing new technologies as never before and view them as the key to providing better service to their shareholders.

The study involved personal interviews and surveys with industry leaders, AST clients, non-clients and members of AST's Executive Advisory Council. All the executives who participated in the study are actively involved in providing services to their companies' shareholders and have responsibility for the selection of their companies' various service providers. Overall, the survey revealed a high degree of concurrence among the participants.

AST designed this new technology study to **capture corporate issuer thoughts** on technologies that improve the shareholder and issuer experiences, addressing areas such as data analytics and data safety and security, as well as to provide a platform to discuss ideas on current trends in technological innovation.

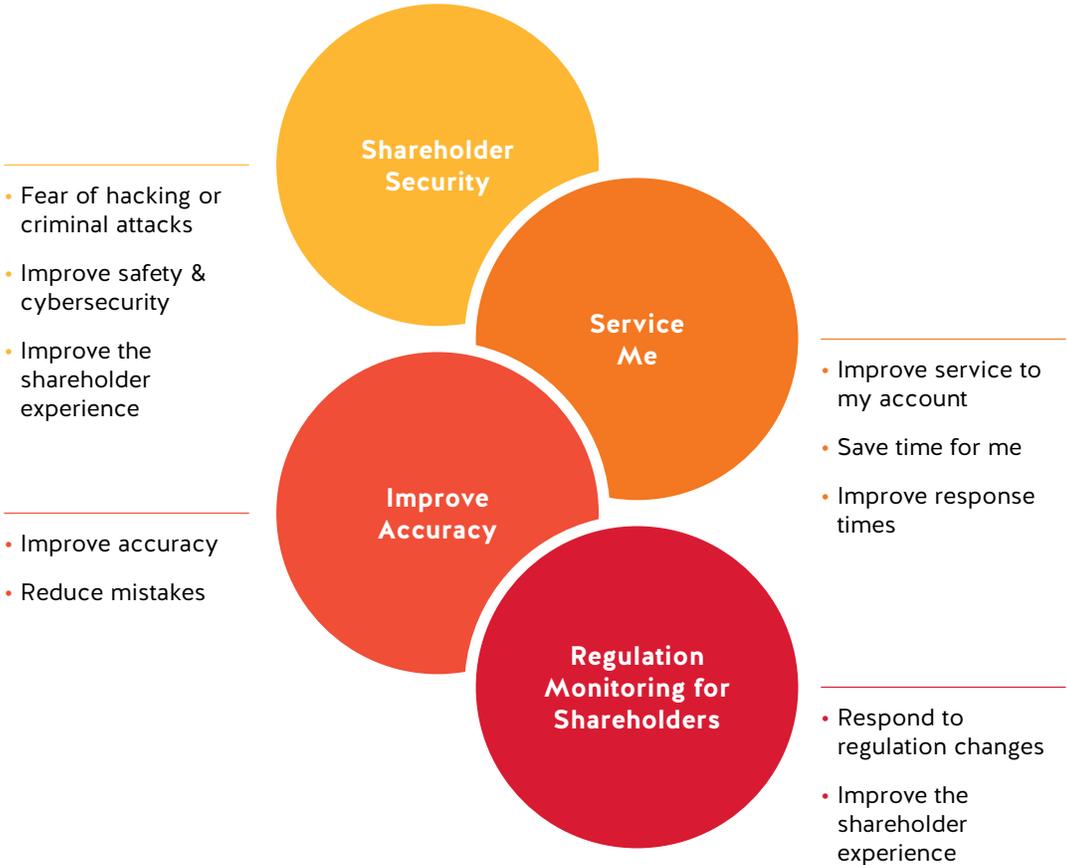
Below are some of the key findings from AST's study.

Technology & the Shareholders' Experience

When asked about technology in regard to **shareholders**, respondents expressed concerns about shareholder experience. For the majority of respondents, shareholder interfaces came to mind first. Respondents fantasized about tech-enabled customer service that could offer seamless connection between shareholders and themselves, because they want to understand a shareholder's situation as accurately as possible. Others envisioned interconnected computing power removing all obstacles blocking the flow of information from one system to another. In addition to demanding a more open and easy-to-use web or Internet presence from their providers, respondents also asked for greater robustness, speed and ease, increased self-administration and a better human interface.

The study honed in on pain points in technological applications' ability to adequately service shareholders. One specific priority was the need for shareholders to be able to manage their accounts independently.

CLIENT NEEDS FOR TECHNOLOGICAL SOLUTIONS



“The Interface should be easy to navigate and options should be clear and succinct. Also, one of the biggest frustration that we frequently hear from our shareholders when calling in is that they have to press too many buttons to get to a live representative,” one respondent noted.

Respondents also believed that technology should be able to avoid unnecessary escheatment of funds, communicate with the service provider, and provide email notification to the shareholder when there is activity on the account.

Corporate Issuers’ Needs

When asked about technological solutions for **corporate issuers themselves**, the respondents emphasized the need to improve accuracy, accounting for the human element at every level. They sought technology that could provide a better experience and greater protection for shareholders. Across the board, respondents agree that the speed and ease of providing information needs to be improved, and they see technology as the obvious answer. Internally, they desired smoother information flow between systems and people for greater self-service and information discovery. Most importantly, issuers wanted technology to help them stay abreast of regulatory changes.

AREAS OF STUDY

The technology study included seven major areas of study as follows:

1



Top-of-Mind Uses
Respondents were asked, “What comes to mind first as an area that would benefit from the use of technology?”

2



Reasons for Technology
Respondents were asked to rate the importance of a list of reasons for developing technological solutions. The list of reasons used in the survey was developed in the Phase 1 or personal interview aspect of the project.

3



Technology Beliefs
Respondents were asked to agree or disagree with a series of statements on the adoption and/or need for technology. The list of reasons used in the survey was developed in the Phase 1 or personal interview aspect of the project.

4



Shareholder Experience
Respondents were asked, “What technologies should service providers be developing to improve the shareholder experience?” They also evaluated a list of thoughts developed in Phase 1 and provided ideas on communications.

5



Data Safety & Security
Respondents were asked, “What aspects of data safety and cybersecurity concern you most?” They also evaluated a variety of thoughts developed in Phase 1 and provided ideas on communications.

6



Corporate Experience
Respondents were asked, “What technologies should service providers be developing to improve service to you?” They also evaluated a variety of thoughts developed in Phase 1 and provided ideas on communications.

7



Data Analytics
Respondents were asked, “What do you think services providers should be doing in this area to support you?” They also evaluated a variety of thoughts developed in Phase 1 and provided ideas on communications.

With respect to issuers' own experiences managing their accounts with technology, speed and accuracy were rated paramount.

Specific requests included greater self-service capability for common requests, the ability to call up reports directly on the computer, greater direct access to information for Relationship Managers and better-streamlined communications processes, possibly by reducing "stovepipe systems" (an example of the latter would be connecting an issuer's call center history file with its account file).

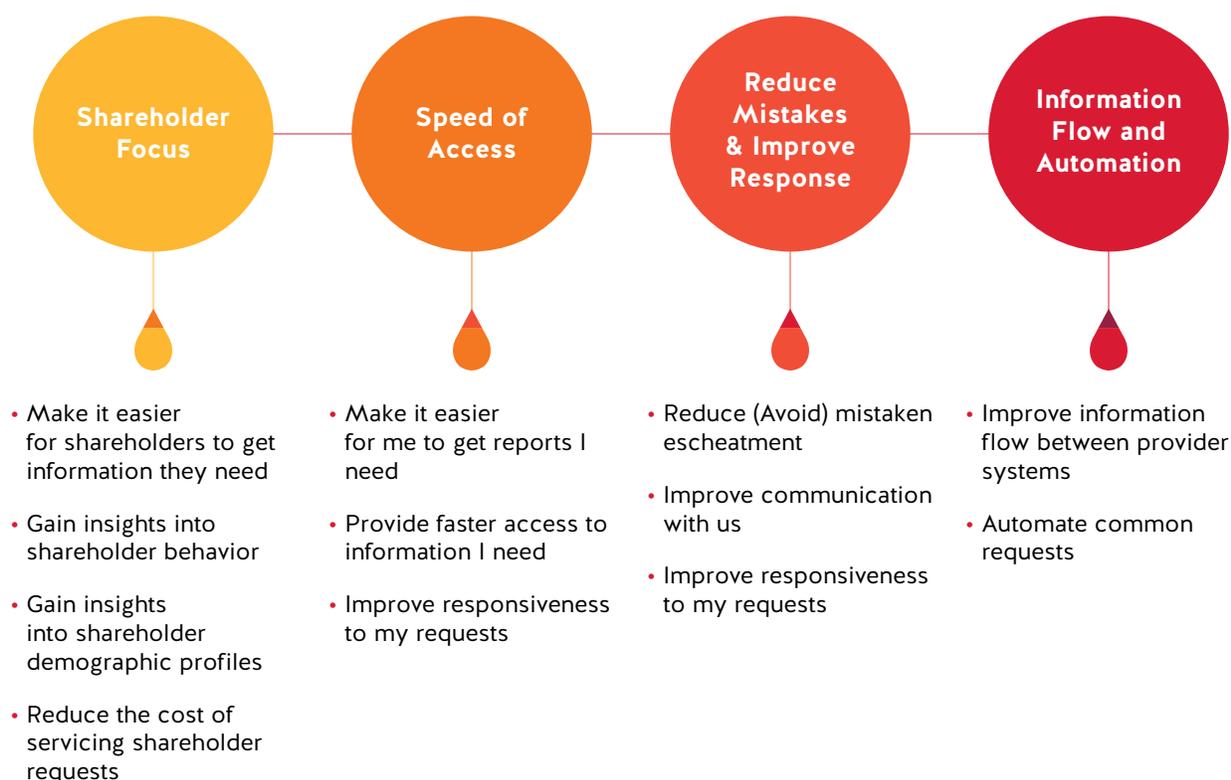
Email was deemed the most effective way to communicate with issuers, although respondents also said they expected a phone call from their Relationship Managers around significant changes or improvements. They want to feel confident in the work

that their providers are doing for them, and documentation of all the providers' activities is desirable for that goal.

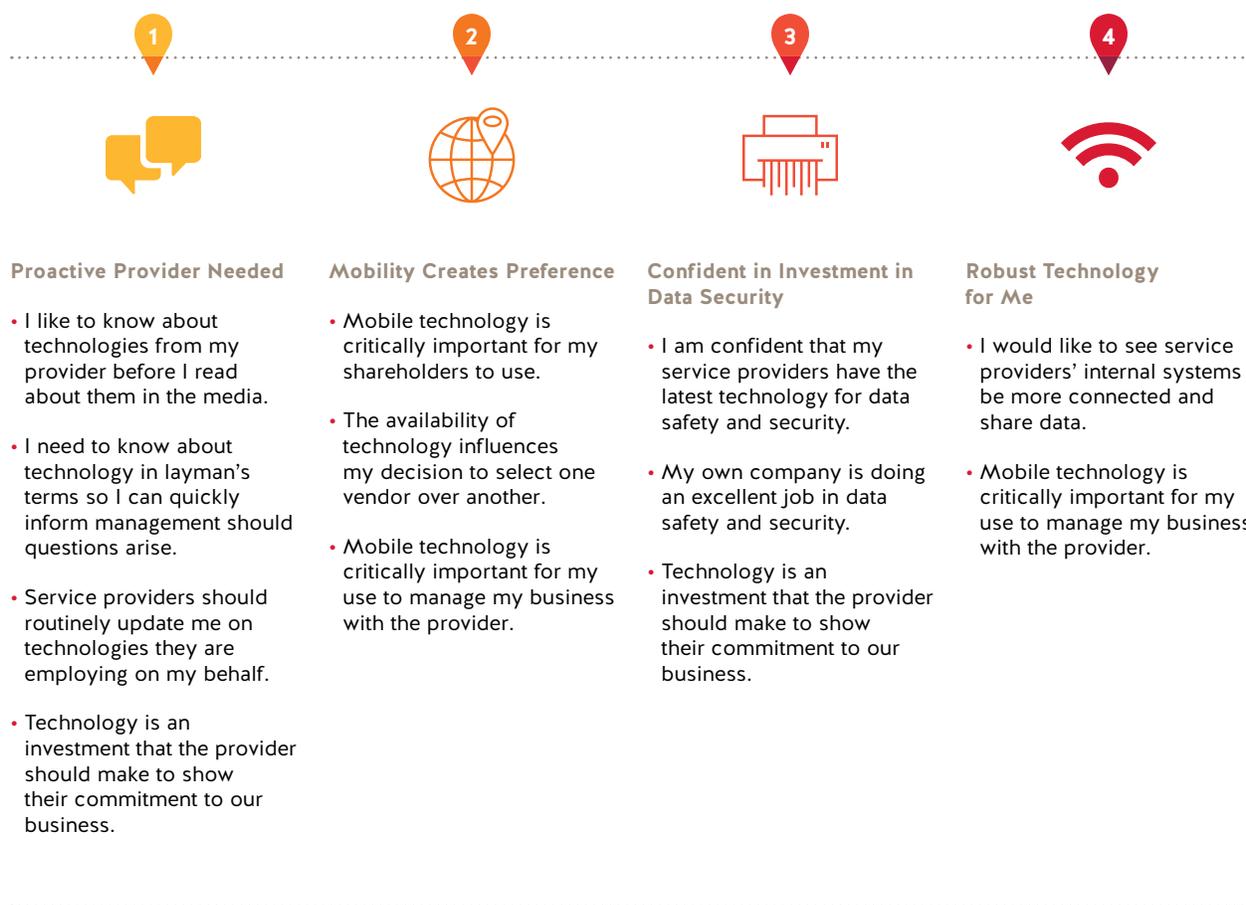
Technology and Data & Analytics

The vast majority of respondents said that **technology** is a complex discipline that requires a different skill set from those that they personally possess. The highest-scoring belief among executives was that they needed to understand technology in layman's terms. This conviction stems from their shared experience of needing to answer technological questions regularly and sometimes under pressure, even when the technology will be many years in development. Respondents also believed that technology is an investment that providers should make to show their commitment to the executives' businesses.

WHY CLIENTS SEEK ENHANCED TECHNOLOGY



IMPROVING THE CLIENT AND SHAREHOLDER EXPERIENCE



The study showed that executives desire to be kept more up to date with new developments in regard to data and analytics. Most believed that sharing data is imperative, but they want providers to work out the details and regulations of data sharing first. When evaluating a list of potential data applications, respondents expressed interest in historical analysis of data, peer and trend analysis, predictive analytics and shareholder demographic analysis.

Because of the limited understanding of how many of these services can be used, however, service providers will need to educate users as to the benefits they can provide. Among the most prominent themes to emerge from the study was issuers' shared belief that technology is extremely complex. They rely on providers to teach them in layman's terms and to keep them up to date with high-tech

advancements, even if those advancements are not yet in the field.

Data Safety and Security

While **data safety and security** were high-interest topics, many respondents believed that between their own in-house efforts and those of their providers, the technology protecting shareholders from hackers and criminals was in good shape.

Others, however, professed more uncertainty on the topic, citing particular worries about possible identity theft, especially in light of recent, highly-publicized releases of information and privacy concerns surrounding consumer-centered businesses. Many issuers cited worries as to whether current technology can provide the necessary security for their shareholders.

Respondents were most in support of service providers' protections such as firewalls, encryptions, and any technology that would protect shareholders' information. Service provider secure storage solutions were also rated highly. While not rated as highly, there was moderate interest in shareholder education, webinars and newsletters. Most felt that emails would be a sufficient means to communicate changes to shareholders.

In summary, AST's new study shows that industry participants see many areas where technology can help them leverage readily available benefits. They are hungry for new ways to streamline and better integrate technology into their shareholder and data security. This desire for proactive technological innovation represents an opportunity for providers to demonstrate their value as partners in forging the future of the industry.

LEARN MORE

To read the full report, visit the AST website and go to the "About US" section at www.astfinancial.com/about-us/eac.

Please also call or email your Relationship Manager with any questions or comments.

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AST THOUGHT LEADERSHIP

SECTION 16 PRIMER FOR THE NEW PRACTITIONER

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Disclaimer: *The views and opinions expressed in this article are those of the author and do not necessarily reflect the views of AST. This article is provided for general information and discussion purposes only and may not be relied upon as legal advice.*

Section 16 of the Securities Exchange Act of 1934 (the “Exchange Act”) describes the responsibilities of directors, officers and principal stockholders of a public company with respect to ownership of equity securities of that company. Directors, officers and stockholders who are the beneficial owners of more than 10% of the outstanding shares of common stock of the company are generally referred to as “Insiders.”

Beneficial ownership may take many forms, but the official definition as described in the Exchange Act provides that the term beneficial owner means any person who directly, or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares a direct or indirect pecuniary interest in the equity shares of the company. The term pecuniary interest means the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the subject securities. This will generally include shares held by the Insider in street name, but will also include shares held by family members sharing their address and shares held by corporations, trusts or another entity that is controlled by the Insider or their family member.

Section 16(a) of the Exchange Act requires Insiders to file an “Initial Statement of Beneficial Ownership” or a Form 3 with

the United States Securities and Exchange Commission (“SEC”) within ten days of becoming an Insider. Each Insider must report all equity securities of the company that he or she beneficially owns directly or indirectly.

Section 16(a) also requires that each Insider file a “Statement of Changes in Beneficial Ownership” or a Form 4 within two days upon a change in their ownership of the company’s securities. This change could include a disposition or acquisition of issuer shares.

Some transactions may be filed on a Form 5, which serves a year-end form, due 45 days after the end of the company’s fiscal year. There is no need to file a Form 5 if all required transactions were reported on the Insider’s previous filings that fiscal year. If an Insider fails to report a transaction required under Section 16, a Form 5 may also be used for the delinquent filing.

The filings required by Section 16 are the personal obligation of each Insider, but many public companies assist their Insiders in preparing the forms because failure to file accurately and timely under Section 16 results in disclosure by the company in its proxy statement and Form 10-K. The requirement to disclose filing delinquencies is found in Item 405 of Regulation S-K. Item 405 requires

¹Exchange Act 16a-1 Definition of Terms, 17 C.F.R. § 240.16a-1(a)(2).

¹¹(Item 405) Compliance with Section 16(a) of the Exchange Act, 17 C.F.R. § 229.405.

companies to identify Insiders with delinquent filings in the preceding fiscal year and disclose their name, the number of late reports and the number of transactions untimely filed.

The reporting requirements of Section 16 are designed to aid enforcement of Insider trading prohibitions. Beyond seeking to discourage insiders from profiting on intimate knowledge of the company when trading by requiring public disclosure of shares owned, Section 16(b) of the Exchange Act also imposes a liability on Insiders to disgorge themselves of any profit realized from a “short-swing” transaction. There are many nuances to determining the applicability of Section 16(b) to the transactions of Insiders which are beyond the scope of this article. The most important point to remember is that under Section 16(b), liability is strict and absolute. Intent is no defense. Having no actual knowledge of material insider information at the time of the transaction is no defense.

Corporate Insiders

A company’s officers and directors, as well as any beneficial owners of more than ten percent of a class of the company’s equity securities registered under Section 12 of the Exchange Act, must file with the SEC a statement of ownership regarding those securities. On August 27, 2002, the SEC adopted rules and amendments to Section 16 of the Exchange Act, implementing the provisions of the Sarbanes-Oxley Act of 2002 that accelerated the deadline for filing most insider ownership reports.

Forms 3, 4, 5

The initial filing is on Form 3. An Insider of an issuer that is registering equity securities for the first time under Section 12 of the Exchange Act must file this form no later than the effective date of the registration statement. If the issuer is already registered under Section 12, the insider must file a Form 3 within ten

days of becoming an officer, director, or beneficial owner.

Changes in ownership are reported on Form 4 and must be reported to the SEC within two business days. You can find the limited categories of transactions not subject to the two-day reporting requirement in the new rule.

Insiders must file a Form 5 to report any transactions that should have been reported earlier on a Form 4 or were eligible for deferred reporting. If a Form 5 must be filed, it is due 45 days after the end of the company’s fiscal year.

EDGAR System

Since June 30, 2003, the SEC has required Insiders to submit forms electronically through the SEC’s EDGAR system. Prior to that date, Insiders could choose, but were not required, to file electronically. The SEC also requires companies that maintain websites to now post the forms by the end of the next business day after filing them with the SEC.

If you are searching for the forms that were not previously filed on EDGAR, you can request a copy of the document from the SEC’s Office of Investor Education and Advocacy.

You also may be able to find Form 4 on the Nasdaq’s website. Simply enter the ticker symbol for the company in the “Quotes” box and click “GO”. In the pull-down box on the next screen, replace “FlashQuotes” with “Insider Form 4”. There also are many commercial websites that offer this information. If you enter the words “insider reports” into most Internet search engines, you’ll quickly find websites that can provide this information.

For more information on the reporting requirements for officers, directors, and beneficial owners, you can read Section 16 of the Exchange Act. You can download blank PDF versions of Form 3, Form 4, and Form 5, as well as the instructions for these forms.

*Definitions cited from the www.sec.gov website. Visit <https://www.sec.gov/fast-answers/answersform144htm.html> for more information on key terms and topics.

Form 144

Form 144 must be filed with the SEC by an affiliate of the issuer as a notice of the proposed sale of securities in reliance on Rule 144, when the amount to be sold under Rule 144 by the affiliate during any three-month period exceeds 5,000 shares or units or has an aggregate sales price in excess of \$50,000. A person filing a Form 144 must have a bona fide intention to sell the securities referred to in the form within a reasonable time after the filing of the form.

Although the SEC does not require that the form be sent electronically to the SEC's EDGAR database, some filers choose to do so. You can learn how to use EDGAR to find the form.

LEARN MORE

To read the full report, visit the AST website and go to the "About US" section at www.astfinancial.com.

Please also call or email your Relationship Manager with any questions or comments.

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Prior to Trustmark, Allyson worked for the Mississippi Emergency Management Agency focusing her practice on post Hurricane Katrina recovery. Allyson is involved in various community organizations, as well as many leadership positions in professional affiliations, such as the Mississippi Bar Women in the Profession Committee, Jackson Young Lawyers Outreach Grant Committee Co-Chair, ABA Dispute Resolution Section Young Lawyers Division Co-Chair, ABA Corporate Counsel Section Young Lawyers Division Co-Chair and the Mississippi Corporate Counsel Association. She is also a member of the Junior League of Jackson and a 2017 graduate of Leadership Mississippi.

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David Engvall advises public companies on a wide range of securities, capital markets, corporate governance and related matters. In the capital markets area, he has handled a range of transactions, including registered and unregistered offerings of common and preferred stock, investment grade and high yield debt securities, convertible securities, and trust units. He advises companies in a number of industries, with emphasis in the oil and gas, financial institutions, and telecommunications industries.

Mr. Engvall's transactional experience also includes spin-offs and split-offs, equity and debt tender offers, and M&A transactions. Mr. Engvall advises public company clients on a wide variety of disclosure and SEC compliance matters. He also has experience advising on financial institution regulatory matters. In recent years, Mr. Engvall has been actively engaged in advising clients on a number of securities law provisions under the Dodd-Frank Wall Street Reform and Consumer Protection Act, including executive compensation, corporate governance, and specialized disclosures such as those pertaining to conflict minerals.

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