



December 16, 2018

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: File No. 4-725

Dear Mr. Fields:

On behalf of AST,¹ I would like to thank the U.S. Securities and Exchange Commission (the “Commission”) for the opportunity to comment on certain topics raised both in the statement issued by Chairman Clayton on July 30, 2018 and at the roundtable held by the Commission on November 15, 2018 regarding today’s proxy voting process.

AST is a leading provider of issuer and investor services and offers transfer agent, proxy solicitation, tabulation, ownership intelligence and corporate governance services.² American Stock Transfer & Trust Company, LLC, our transfer agent business (“American Stock Transfer”), D.F. King & Co., Inc., our corporate proxy division (“D.F. King”), and AST Fund Solutions, LLC, our mutual fund business (“ASTFS”), serve over 4,000 issuers across the United States and Canada and work not only on routine shareholder meetings, but also on some of the most complex, non-routine and contested meetings in North America. In all cases, AST’s goal is to facilitate and ensure cost-effective communication between issuers and their shareholders and increase shareholder participation.

¹ As used herein, the term “AST” refers to American Stock Transfer, D.F. King and ASTFS. These companies are part of a tech-enabled business that provides issuer and investor services as well as corporate governance, proxy and ownership intelligence services. For information about AST, *see* www.astfinancial.com.

² In addition to providing shareholder meeting proxy services, D.F. King offers services in connection with proxy contests and, in this capacity, has represented both issuers and shareholder dissidents. In both scenarios, D.F. King drives shareholder engagement as well as transparency in the proxy voting process. ASTFS is the leading provider of mutual fund proxy solicitation services. Like its affiliate D.F. King, ASTFS’s goal is to increase shareholder participation, which in mutual fund campaigns can present significant challenges because of the complexity of a fund’s shareholder composition.

Because AST serves issuers at all stages of their corporate life cycles, it has visibility into every aspect of the proxy voting process. We encourage the Commission to consider reform that will transform this process by (a) enhancing transparency into a system that has become increasingly opaque, (b) ensuring that all shareholder votes are confirmed and reconciled against outstanding positions, and (c) constructing an immutable and auditable proxy voting trail that addresses the system's inefficiencies.

I. CURRENT PROXY VOTING PROCESS.

Most successful systems and processes evolve over time by embracing innovation and addressing consumer demand. The same cannot be said about the proxy voting process. The system is antiquated and over time has developed into a complex web that that has been aggravated by both the ongoing shift from registered shareholders to street-name shareholders and by the increase in the percentage of objecting beneficial owners ("OBOs"). Coupled with a reluctance to modify recommended fees and an inability to require custodians to assist in the identification of beneficial owners, distribution of materials and collection of proxies, the existing voting system is ripe for regulatory review and transformation.

None of this should come as a surprise. For over ten years, the fundamental weaknesses that plague proxy voting have been raised repeatedly by panels, roundtables and law journal articles that decry a broken voting system. The same issues and grievances arise – not unnecessarily – time and time again, including at the roundtable on November 15, 2018. And, like these panels, roundtables and articles, we believe that reform of the proxy voting process is needed.

In this comment letter, we do not look at all of the factors that have contributed to the proxy voting process's shortcomings, since prior letters and the roundtable have raised many of these issues. Nevertheless, we briefly review two aspects of the process that have increased the system's inefficiencies and lack of transparency. In addition, we offer some observations on the use of blockchain to address weaknesses in the proxy voting system.

(a) **OBO - NOBO Structure.**

The OBO-NOBO framework harms both issuers and shareholders. Issuers' limited visibility into ownership and investor composition often restricts companies' ability to communicate with all shareholders, inform them of meeting proposals, and increase shareholder participation. Most issuers are only able to communicate with their shareholders by incurring significant printing and communications expenses, which are set by a single vendor who has no incentive to reduce its pricing. Lack of transparency

into the shareholder composition further exacerbates this problem, since the OBO-NOBO structure forces issuers to adopt a one-size-fits-all printing and mailing strategy that may neither be cost-effective nor appropriate for an issuer's shareholder base.

Generally, retail shareholders do not actively participate in the proxy voting process. Because issuers are unable to obtain information about all beneficial owners, they are unable to communicate directly with retail shareholders, convey the importance of a proposal, and drive participation at a meeting that will likely impact shareholders' rights and economic interest. Together with proxy solicitation campaigns, the abolition of the OBO-NOBO structure will result not only in greater participation and overall shareholder engagement in the corporate governance process but also encourage competition among potential shareholder communication vendors, which will likely introduce alternative technology solutions and providers and, therefore, ultimately reduce print and mailing costs.

(b) Broker Reconciliation.

The proxy voting system is hampered by brokers' failure to reconcile shares prior to the distribution of materials. Some brokers have adopted "pre-reconciliation" procedures pursuant to which record date positions are netted against shares on loan in advance of the distribution of proxy materials. This process ensures that materials are distributed only to shareholders who are entitled to vote. But brokers are not required to reconcile shares before materials are distributed. Instead, some brokers follow "post-reconciliation" procedures, which increase the issues that arise from the lending of shares where the number of votes cast can be greater than the number of eligible votes. A shareholder who casts her vote may therefore not be aware that she is not entitled to vote and that her vote was ultimately invalidated and not counted. The "pre-reconciliation" of shares by brokers will minimize this issue, control distribution costs by ensuring that only eligible shareholders receive proxy materials, and allow for an end-to-end reconciliation and vote confirmation.

II. TECHNOLOGY AND INNOVATION.

The proxy voting process can be changed only through regulatory action and the development of technology solutions. Like some of our peers at the roundtable, AST believes that blockchain – or distributed ledger technology – is not a cure-all. Nevertheless, it offers a solution that will mitigate some of the inefficiencies of the current system by streamlining voting processes and facilitating direct communications between issuers and their shareholders.

Currently, all proxy voting participants (including issuers, transfer agents, corporate and mutual fund proxy solicitors, tabulators, proxy advisors, brokers/custodians, and shareholders) exchange volumes of data in different formats. As a result, parties reconcile and confirm shareholder positions and votes at different stages in the process. Blockchain technology eliminates duplication of these efforts. Voting information and share ownership are recorded on a permissioned ledger that can be accessed only by the appropriate proxy participants and therefore eliminate the need for intermediaries. At the same time, blockchain is immutable, providing assurance that the final tabulation reflects the most recent votes cast by shareholders. Finally, blockchain creates an audit trail that can ensure full reconciliation and confirmation of voting.

AST has partnered with IBM and blockchain-specialist NuArca LLC on its blockchain initiative and is in the process of applying this technology to its business.³ The platform is an IBM cloud-hosted and HyperLedger-based permissioned recordkeeping system that supports shareholder meeting administration, electronic ballot distribution, vote capture, tabulation and advanced reporting. It has been developed to provide a robust blockchain-based system that can be extended to the industry to streamline proxy plumbing. Direct participation on our blockchain means timely access to information and vote transparency for all authorized participants without the need for a centralized data processing and reconciliation intermediary. If adopted broadly by these participants, the blockchain platform will support direct voting by all shareholders. This in turn will allow for reduced costs and facilitate, if necessary, the audit of shareholder votes by authorized parties, who will be granted permission only to the appropriate data without relying on intermediaries. In addition, a common blockchain that captures votes of a relevant meeting and corresponding shareholder data will create a competitive market in which issuers will be able to engage vendors and use solutions that best support their meeting strategy, scope and budget.

AST recognizes the inherent opportunity that blockchain technology provides to reduce – and eventually eliminate – the layers of complexity in proxy communications and tabulation, thereby (a) lowering issuer costs, (b) increasing transparency for issuers, (c) confirming to shareholders their respective vote(s), and (d) recording votes in an environment that allows for near real-time tabulation. In addition,

³ Together with NuArca LLC and supported by IBM, AST has built a blockchain tabulation engine and meeting administration and shareholder voting interface that we believe can be extended over time to the industry. Our initial pilot in October 2017 was designed to test the solution's ability to scale efficiently and support volumes and speed of transactions in large-scale proxy campaigns; further, it was launched to record and validate accurate voting on an immutable ledger. The pilot spanned over 400 securities and 8 million shareholders representing more than 1 trillion shares. During the pilot, the platform reached processing and validation speeds of over 100 transactions per second. We have built out additional features in our production environment, which have improved accuracy, processing speed and scale.

permissioned access to the blockchain platform ensures the security and confidentiality required in the process by granting a participant access only to information that is applicable to that participant's services. As a result, this technology can support end-to-end voting and tabulation and allow for competitive services without compromising data integrity. We welcome the opportunity to further discuss blockchain solutions with the Commission and our colleagues in the industry.

III. CONCLUSION.

Because it provides services at all stages of the proxy voting process, AST has visibility into a system that has not kept pace with the needs of issuers and their shareholders. Instead, over time, proxy plumbing has remained complicated, costly and inefficient. While we believe that the fundamental deficiencies of this system must be addressed and resolved, we also believe that the implementation of blockchain technology will force transformation of the process; it is a first step in addressing and improving the voting framework by increasing efficiencies, reducing underlying costs and increasing shareholder participation.

Thank you for the opportunity to comment on the proxy voting process. AST looks forward to continuing our discussion with the Commission about this important issue. Please let us know if we can provide any additional information and assistance.

Respectfully,

Martin G. Flanigan
President and Chief Executive Officer