What’s Relevant?
A quarterly newsletter of AST’s Executive Advisory Council

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ABOUT THE E.A.C.
At AST, we strive to propel our industry forward. In 2011, we responded to the demand for a neutral group that could exchange and discuss industry-wide challenges and ideas by forming the Executive Advisory Council (EAC). Comprised of executives from leading organizations in North America, the EAC works to further our industry.

The EAC meets on a regular basis to provide a forum for leadership and constructive feedback, to share best practices and insights on industry trends, to address issues and concerns that various stakeholders may have, and to shape the future of the industry. The EAC also launched an in-depth Industry Study of leading issuer executives across North America. The study is intended to provide meaningful insights into what investors and corporations need across the broad spectrum of issuer and shareholder services. While the EAC is sponsored by AST, it works independently for the benefit of the industry as a unified whole.

For more information, please visit the Executive Advisory Council webpage.

If you have questions or comments, please email EAC@astfinancial.com.
On Becoming the Perfect Relationship Manager
A Best Practices Guide Developed from Issuer Responses to the AST Industry Index.

Written By: Jean Vincent, President, Vincent McCabe, Inc. and EAC Industry Index Project Director

“The Relationship Manager’s work reflects on the entire company. If the RM is good, the others at the services provider will be, too.” This is what one issuer client said about the importance of having an excellent RM to lead the provider team and create the successful interaction between client and services provider. So, what should a Relationship Manager do to achieve a gold-standard performance that solidifies the company’s connection to a valued client?

The EAC Industry Study’s latest edition helped identify the top ten roles, among others, that RMs must play to be successful and be that perfect Relationship Manager.

Top 10 Roles for the Perfect Relationship Manager

1. Relationship Builder
2. Responsive Guardian
3. Problem Solver
4. Timely Guide
5. Knowledgeable Resource
6. Professional Executive
7. Receptive Listener
8. Team Leader
9. Star Performer
10. Efficiency Expert

The RM who wants to be “Perfect” needs to be a person with all of these ten characteristics.

Background on the Perfect Relationship Manager Insights

With the constant drone of regulation change, technology challenges, stockholder demands and security concerns, today’s issuer is at the helm of a beehive of complex needs. Added to this pressure cooker is the 24/7 workday availability that has become the norm at most corporations who issue stock.

No one knows this better than the executives who comprise the Executive Advisory Council (EAC) membership who work for leading corporations around the world. In 2015, the group embarked on an AST funded ongoing research program to learn more about what their colleagues in the industry need from their issuer services providers. The study, known as the AST Industry Study and Industry Index, has provided in-depth information for positive change, ratings for providers and issuers’ ideas for best practices on a wide variety of important topics. This article presents what was learned about Best Practices for Relationship Managers.

In the latest edition of the Industry Study, the Importance Factor, “Work Interface - Flexible and knowledgeable performance by a Relationship Manager and staff who can be relied on to act quickly on our behalf” was rated the most important area for services providers to work on.

In fact, when respondents to the Industry Study were asked why they rated a particular provider as they did, the majority mentioned the Relationship Manager in some fashion as elemental to the successful performance and the reason for the evaluations of their providers. Some even mentioned the individual RM by name, particularly when high praise was in order.

To identify the top characteristics of Relationship Managers, the Vincent McCabe team, designers and administrators for the EAC Industry Study, examined corporate issuer executives’ verbatim comments related to performance and developed an analysis of the most desired behaviors for a Relationship Manager to possess.
The Perfect Relationship Manager

Whether the manager is called a Relationship Manager, Account Manager, RM, or Team Lead, clients have a very clear idea of what is needed. Here is how one executive characterized how she feels about her RM.

“A relationship manager is my lifeline to my services provider. She’s my advocate and representative at the company making sure I get the services I need when I need them. Her professionalism and knowledge in understanding our corporation’s and shareholders’ complexities reflect on the entire relationship with the provider. By dealing with emergencies and questions quickly and efficiently, connecting us with the right sources of information, she is the keystone for excellent customer service. Most of all she is understanding and a friend to me and those working with me.”

The following ten ideas further explain what the executive above captured so beautifully in her nutshell comment.

1. Relationship Builder

While this seems to be stating the obvious, clients really want a close relationship built on trust and friendship. They do not want unfriendly functionaries, just doing the job. In many of the EAC Industry Index interviews, issuer executives noted that the RM was a valued friend often participating in family activities. Executives also note that a strong RM builds relationships inside her own company that pave the way for difficult discussions that result in meaningful change and a win-win for all parties.

Being understanding was also mentioned frequently, as part of building a strong relationship. One issuer client said, “We don’t do this work every day so we often have questions. If the RM is kind, even in the face of what appears to be repetitive questions, that’s a RM you want to work with.” Of all the factors of “Perfection,” building a warm and friendly working relationship is the most important.

2. Responsive Guardian

Executives in the shareholder services industry know that change management is a way of life. Sometimes required changes develop quickly. Many issuer executives discussed problems that crop up and require immediate attention.

Many issuer executives rely on their RMs to bring things to their attention and respond quickly doing more than just the minimum. “Our RM really goes above and beyond for us so we’ve come to rely on her to keep us on track,” said one issuer executive.

3. Problem Solver

Things can go wrong. Many issuer executives told the Industry Study researchers that, while difficult, problems happen even when all the precautions are taken. It was not the problem that can create stress, but rather the response to it. A perfect RM is one who always has a helpful attitude when things arise. The RM wants to help to get things back on track and will work with the issuer to resolve things so they are often better off than originally outlined.

4. Timely Guide

Issuers’ needs are almost always time-sensitive. “When we need something, the RM acts fast on our behalf,” was stated as an important reason for satisfaction by an issuer executive. The issuers often do not need immediate answers; they do need an immediate response so they know what to expect and when to expect it. When Corporate Secretaries are responding to a CEOs’ requests, time is of the essence.

5. Knowledgeable Resource

With constant rule changes, issuer executive want to rely on their RMs for expert advice and counsel. They expect the services providers to keep abreast of the latest best practices and respond to questions they or their colleagues may have in a way that will be easy-to-understand and without industry jargon. “Our RM helps us understand best practices that others in the industry are using so when we ask for something they can put our request into an industry-wide perspective,” said one executive noting the importance of being a knowledgeable resource.
6. Professional Executive

Professionalism is a somewhat intangible concept. However, issuer executives know it when they see it. Some of the outward manifestations include being on time for calls, always being prepared, knowing where to find the answers to difficult questions and bringing more to the party than just administrative responses. As one executive put it, “Our RM is such a pro and she’s an interesting person, who can talk on many subjects. We really enjoy when she visits and wish she could visit more often. She’s excellent”

7. Receptive Listener

While the services work is similar, every corporate issuer is unique. Their shareholder characteristics are different, their brand image informs their culture and practices are different. It is really important for the Perfect Relationship Manager to understand or “get” the client company. Additionally, issuer executives often have ideas that they think might improve the work or relationship. The perfect RM is open to those ideas and listens well while being flexible enough to consider the concepts and bring those ideas to their colleagues at the services provider.

8. Team Leader

“Our RM is well respected at her company so when she brings an idea to her team, they will listen.” That is how one issuer described the leadership component. Some issuers described work as easily slipping into contentiousness. A good RM will lead the team to appropriate compromise or full explanation as to why a certain decision is the right one for all parties. People on both sides – client and company – will listen because the RM is coming from a place of strength based on her experience and expertise. A Relationship Manager knows when to be strong and when to be flexible for the good of all parties.

9. Star Performer

As any issuer will tell you, shareholder services can be a hot bed of complex challenges. Things are moving fast, shareholders are impatient and CEOs demanding. Usually the work is time sensitive with little or no margin for error. The Perfect RM needs to exceed expectations even under extreme pressure.

10. Efficiency Expert

While most issuer executives agree that they will not work with the vendor who offers the lowest price at the expense of shareholder services, nearly all agree they are looking for ways to be more efficient and save costs. The expectation for an RM is that they, too, are looking out for ways to save the client budget. The issuer executives challenge services providers to give the RMs the tools to make handling their account as efficient as possible.

What is the communication function of a Relationship Manager?

Section Written By: Abby Cowart, Executive Director for the Shareholder Services Association

Communication between the Relationship Manager and the Issuer Representative is one of the most important factors in the success and longevity of the business relationship.

It is important to note that each Transfer Agent has its own preferred method for Relationship Managers to communicate with their Issuer Representatives.

At the beginning of the business relationship, it is imperative to establish a clear understanding of how the Relationship Manager will interact/communicate with the Issuer Representative. How frequently and in what method will the Relationship Manager and Issuer meet? (monthly, bi-weekly, conference calls, quarterly face-to-face meetings, etc.)
### What makes a good Relationship Manager? What makes a good client?

<table>
<thead>
<tr>
<th>Relationship Manager</th>
<th>Client/Issuer Representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aware of client's needs</td>
<td>Communicates requests and expectations clearly</td>
</tr>
<tr>
<td>Dedicated to providing quality work</td>
<td>Open to advice and dialogue</td>
</tr>
<tr>
<td>Friendly personal attitude, available for questions</td>
<td>Friendly personal attitude, available for questions</td>
</tr>
<tr>
<td>Delivers on commitments made to their client</td>
<td>Allows for a reasonable amount of time for work to be completed</td>
</tr>
<tr>
<td>Delivers an invoice containing detailed itemization of services provided</td>
<td>Remits payment in a timely manner</td>
</tr>
<tr>
<td>Transparent on important contacts for critical areas of business</td>
<td>Ability to have a single point of contact</td>
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</tbody>
</table>

The AST Industry Study will continue its work in search of best practices. As this article based on real comments from issuer executive shows, the Perfect RM is no messenger of idle go-between. They are the keystone and hallmark of a successful client and services provider relationship.

The researchers and executives at AST welcome your comments on the Best Practices article.

Visit [www.astfinancial.com](http://www.astfinancial.com) to learn more.

**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.

### About the Authors

**Jean Vincent, President, Vincent McCabe, Inc. and EAC Industry Index Project Director**

Jean's expertise in the research field comes from more than 25 years of experience in research and marketing communications. Jean has developed successful research programs for leading organizations around the world. She pioneered the use of hybrid focus groups that include psychological testing and methods to uncover subconscious motivation.

Prior to founding Vincent McCabe, Inc., Jean served as:

- Executive vice president at Sage Marcom, Inc., a b-to-b specialist communications company, where she established a successful research business.
- Marketing Communications Director at Lockheed Martin
- Marketing Communications Director at Welch Allyn, Inc., a leading medical device manufacturer. There, she established an in-house research organization that performed many brand assessments and new product development studies.

She holds a BS in Marketing from the State University of New York. She also holds an MS in Communications Management from the S.I. Newhouse School of Public Communication at Syracuse University, where she is an adjunct professor of public relations research and PR measurement and evaluation.

**Abby Cowart, Executive Director for the Shareholder Services Association**

Abby Cowart currently serves as the Executive Director for the Shareholder Services Association. As SSA's Executive Director, Abby will manage the daily operations of the SSA with a focus on growing membership and increasing the value of SSA Membership through educational opportunities, career development and providing members with the most current regulatory news and updates.
Prior to becoming the first Executive Director of the SSA, Abby was the Senior Investor Relations Analyst for TSYS (Total System Services, Inc.) for nine years. During her tenure at TSYS, she served as a member of the American Stock Transfer Executive Advisory Council, was an active participating member in the National Institute of Investor Relations (NIIRI), was a Corporate Sponsor of Better Investing, and a regular exhibiting participant at Money Show International Conferences.

While at TSYS, Abby instituted the first Call Center Recognition Program at American Stock Transfer & Trust, LLC. The program allowed TSYS, partnered with AST, to award selected CSRs who monitor TSYS shareholder calls to receive a quarterly award. An annual award winner known as the Total Call Award was selected from the quarterly recipients.

Abby holds a Bachelor of Science (Political Science) from Columbus State University and Master in Business Administration (MBA) with a specialty in Leadership from Liberty University.

### The Changing Landscape of Cybersecurity

**Written By:** Baba Gurjeet S. Bedi, Senior Vice President, Chief Information Security Officer, AST

Significant changes are taking place in the Cybersecurity space in the last two years.

#### Regulatory Changes

Federal and State regulators are becoming increasingly active in ensuring that the regulated companies are assessing and managing their cyber risk properly.

New York State Department of Financial Services (DFS) launched new regulations, 23 NYCRR Part 500 effective March 01, 2017 that requires DFS regulated companies to be compliant with a series of requirements over a course of 24 months. The first set of requirements that require the companies to have a written Cybersecurity program, a qualified Chief Information Security Officer (CISO), a tested incident response plan and trained cyber security staff was due on Aug 28, 2017. The next set of requirements that require additional technical controls for data and applications is due on Mar 01, 2018. The dates for phase 3 and 4 are Sep 01, 2018 and March 01, 2019.

The regulators understand that each business is different and the same standards do not apply to all companies. They are increasingly getting away from a check box approach and putting the onus on companies to determine their own business risks, via a Risk Assessment, and build a cybersecurity program to address their own risks. The regulators are also stressing on paying attention to managing third party risk in information management.

#### New risks and changing threat landscape

The risk landscape and threats are constantly evolving in the cyber arena. The attacks are getting more and more sophisticated with state actors, with tremendous amount of resources, becoming a major backer of these attacks.

**Advances in Social Engineering techniques:** Social Engineering has become a major way for attackers to launch cyberattacks inside companies. Hackers are using sophisticated methods to target persons with privileges to gain access to company networks and plant malware that could be used to launch other attacks within the company.

Spear-phishing is a targeted way wherein hackers target a person within a company via different methods, like email, phone calls and text messages in a synchronized attack that appear to be coming from a trusted source.

**Ransomware:** The invariable result of social engineering attacks are designed to plant a malware inside a company. Ransomware has become the most popular way of monetizing cyberattacks. The perpetrators do not have to exfiltrate any data from a company after gaining access to their systems, since they can potentially get caught and stopped, so they encrypt the company data in place and then demand ransom to allow the company access to their data again.

The NY DFS regulations are getting a lot of attention from other state regulators and there is a great chance that other states will also adopt some of these regulations in one form or another.
Next Generation Emerging Technologies

Considering the fast changing nature of Cyber threats, new techniques are gaining ground to mitigate threats. One of these is employing User Behavior Analytics (UBA) and User Entity Behavior Analytics (UEBA). This employs Data Analytics, Machine Learning and Artificial Intelligence to profile devices, networks and users and then alert for any anomalies from normal behavior. This helps protect against threats known and unknown. Currently these technologies are expensive and difficult to implement, but trends indicate that companies are willing to invest in them as they bring a great value in improving their security posture.

The NY DFS regulations are getting a lot of attention from other state regulators and there is a great chance that other states will also adopt some of these regulations in one form or another.

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.

About the Author

Baba Gureet Bedi (Bedi) oversees all information security activities across North America. Bedi joined the firm with extensive experience in enterprise security, regulatory compliance, systems architecture, network management, project and personnel management.

He has a vast amount of knowledge working in the financial sector and has provided advisory services to executives for security solutions and outsourcing (application development & application management).

Prior to joining AST, Bedi held the position of Director, Advanced Risk & Compliance Analytics at PricewaterhouseCoopers (PwC). At PwC he led programs which included Anti-Money Laundering, OFAC Sanctions screening and enterprise wide case management. Bedi has presented strategic solutions to various executive committees for compliance adoption and adherence programs.

Bedi holds a Master’s Degree in Computer Applications and is a Certified Anti-Money Laundering Specialist (CAMS).
2017 Tax Reporting Season

As we begin the tax reporting season for tax year 2017, we thought it would be helpful to provide reminders about deadlines and activities that will help to ensure that we all have a smooth tax season. As we are all aware, timeliness and accuracy are essential attributes for a successful tax reporting season, which is one of the most impactful events for shareholders. We think you will find the following information/reminders useful as we work together to ensure an excellent 2017 tax reporting season.

Important Form Due Dates

The table below illustrates important form due dates with respect to the recipient copies and IRS electronic filings:

<table>
<thead>
<tr>
<th>Form</th>
<th>Recipient Copy</th>
<th>IRS Electronic Filing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1099 (DIV, INT, OID)</td>
<td>January 31, 2018</td>
<td>March 31, 2018</td>
</tr>
<tr>
<td>1099-B</td>
<td>February 15, 2018</td>
<td>March 31, 2018</td>
</tr>
<tr>
<td>1099-MISC - NEC (Non-Employment Compensation - Box 7)</td>
<td>January 31, 2018</td>
<td>January 31, 2018</td>
</tr>
<tr>
<td>1099-MISC - No NEC (No data in Box 7)</td>
<td>January 31, 2018 - February 15, 2018 for amounts reported in boxes 8 or 14</td>
<td>March 31, 2018</td>
</tr>
<tr>
<td>1042-S</td>
<td>March 15, 2018</td>
<td>March 15, 2018</td>
</tr>
<tr>
<td>3921</td>
<td>January 31, 2018</td>
<td>March 31, 2018</td>
</tr>
<tr>
<td>3922</td>
<td>January 31, 2018</td>
<td>March 31, 2018</td>
</tr>
</tbody>
</table>

It is important to point out that the IRS offers a “safeguard” for filers that may face difficulties when it comes to meeting the deadlines listed in the chart above by giving them the opportunity to file for extensions. Filers will not face penalties for taking advantages of these extensions.

IRS Publication 1220 states:

“A 30-day extension of time to file information returns may be submitted by creating and transmitting an electronic file or fill-in form on the FIRE Production System, or submitting a paper Form 8809. An approval letter will not be issued for the initial automatic 30-day extension request. Payer/filer will receive incomplete or denial letters when applicable.

Regulations Section 1.6081-8(d)(2) allows a payer (filer) an additional 30-day extension of time to file information returns if the initial 30-day extension was granted and the additional extension is filed before the expiration of the initial 30-day extension. Generally, requests for additional time are granted only where it is shown that extenuating circumstances prevented filing by the date granted by the first request. An approval letter will not be issued for the additional 30-day extension request. Payer/filer will receive incomplete or denial letters when applicable.

Note: The additional 30-day extension request can only be submitted via paper; an electronic additional extension file is no longer an option.”

A 30-day extension to mail recipient copies can also be filed if necessary. All 30-day extensions are calculated from the due date for the form.
Reclassifications

Issuers are reminded that any income reallocation announcements should be made as early as possible to enable filers of Forms 1099 to avoid having to file corrected or delayed returns. Filers of Forms 1099 must file a corrected Form 1099 if the information reported is incorrect by more than $100\(^1\) and are subject to penalties under sections 6721 and 6722 for errors exceeding this amount.

Brokerage firms with a large client base that holds securities subject to income reallocation face challenges in gathering reallocation data points for all securities affected. Brokerage firms or their tax operations vendors may request that income reallocation data be provided in a standardized template to accelerate data processing and the generation of Forms 1099.

Forms 3921 and 3922 – Section 6039 Reporting

Section 6039 and the Treasury Regulations thereunder govern the returns required in connection with certain options. Form 3921 and Form 3922 are used for tax information reporting purposes on Incentive Stock Options (“ISOs”) and Employee Stock Purchase Plans (“ESPPs”) respectively.

Companies must report the exercise of an employee’s ISOs on Form 3921, Exercise of an Incentive Stock Option Under Section 422(b).

When the employee transfers the stock acquired through an ESPP, the company then files Form 3922, Transfer of Stock Acquired through an Employee Stock Purchase Plan under Section 423(c), to report the employee’s basis in the stock, which is the exercise/purchase price of the stock.

Deadlines

The deadlines for the Employer to file Forms 3921 and 3922 with the IRS are February 28 for paper filers and March 31 for electronic filers. The deadline for distributing the statements to employees is still January 31.

Electronic Filing

The Employer is required to file Forms 3921 and 3922 electronically if there are 250 or more returns to be filed with the IRS.

Note: This is a per-form requirement. So if there are 251 Forms 3921 to be filed and only 249 Forms 3922, then only the Forms 3921 are required to be filed electronically. Likewise, if there are 249 of each form type to be filed, then none need to be filed electronically. Regardless of the amount forms can be filed electronically on a voluntary basis.

Companies are not required to withhold income taxes on any exercise or sale of shares, even if an amount is considered compensation upon a disqualifying disposition.

Form 3921 and Form 3922 must be filed by January 31st of the tax year in which ISOs are exercised or when stock acquired through ISOs is transferred, respectively.

\(^1\) Errors in the reporting of withholding may be no more than $25. I.R.C. §§ 6721(c)(3)(A)(iii), §§ 6722(c)(3)(A)(iii).
**W-2 Adjustments**

**Disqualifying Dispositions**

Upon a disqualifying disposition of shares acquired through an ISO, a company must report the spread, which is the difference between the fair market value on the date of exercise and the exercise price, in an employee’s Form W-2 as additional wages. A qualifying disposition of shares does not require any adjustments on Form W-2.

**Dividends on Restricted Stock**

Dividends paid on unvested restricted stock would be considered additional compensation, subject to income inclusion on Form W-2. After vesting, any dividends would be subject to taxation as a dividend.

Transfers of restricted stock are governed by section 83. For restricted stock, the individual is legally the owner of the shares, but will not be considered the owner for tax purposes as long as the shares are unvested. Specifically, Treas. Reg. 1.83-1(a) states “until such property becomes substantially vested, the transferor shall be regarded as the owner of the property and any income from such property received by the employee constitutes additional compensation and shall be included in the gross income of such employee for the taxable year in which such income is received.”

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3With regard to disqualifying dispositions, any capital gain resulting from the sale is not includable in a Form W-2 (e.g., a capital gain of $3 resulting from a sale price of $10 and a fair market value of $7 at the time the option was exercised.)
REACH OUT
IF YOU HAVE QUESTIONS OR COMMENTS, PLEASE EMAIL EAC@astfinancial.com.