

SCHWAB CHARLES CORP
Form DEF 14A
March 28, 2014
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SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant

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Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by |
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The Charles Schwab Corporation

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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March 28, 2014

Dear Fellow Stockholders,

We cordially invite you to attend our 2014 Annual Meeting of Stockholders to be held on Thursday, May 15, 2014, at 2:00 p.m. Pacific Time. The annual meeting will be held at www.schwabevents.com/corporation, or you also may attend in person at 211 Main Street, San Francisco, California. Please follow the registration instructions as outlined in this proxy statement to attend the meeting either virtually via the internet or in person.

At the annual meeting, we will conduct the items of business outlined in this proxy statement. We also will report on our corporate performance in 2013 and answer your questions.

Your vote is important. We encourage you to read this proxy statement carefully and to vote your shares as soon as possible, even if you plan to attend the meeting. Voting instructions are contained on the proxy card or voting instruction form that you received with this proxy statement.

We look forward to your participation.

Sincerely,

CHARLES R. SCHWAB
CHAIRMAN

WALTER W. BETTINGER II
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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PROXY SUMMARY

This summary highlights information contained in the proxy statement. This summary does not contain all of the information that you should consider, and you should review all of the information contained in the proxy statement before voting.

ANNUAL MEETING OF STOCKHOLDERS

Date: Thursday, May 15, 2014
Time: 2:00 p.m., Pacific Time
Location: www.schwabevents.com/corporation

or

211 Main Street, San Francisco, California

Record Date: March 17, 2014
Voting: Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote.
Registration: Please follow the advance registration instructions contained in the proxy statement on page 1.

VOTING PROPOSALS

	Board Recommendation	Page
Election of Directors		
Frank C. Herring	For	2
Stephen T. McLin	For	2
Roger O. Walther	For	2
Robert N. Wilson	For	2
Ratification of Independent Auditors	For	15
Advisory Approval of Named Executive Officer Compensation	For	18
Stockholder Proposal on Political Contributions	Against	53
Stockholder Proposal on Annual Disclosure of EEO-1 Data	Against	54
Stockholder Proposal on Accelerated Vesting upon a Change in Control	Against	57

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We ask that you vote for the election of Frank C. Herringer, Stephen T. McLin, Roger O. Walther and Robert N. Wilson. The following table provides summary information on these nominees; complete biographical information is contained in the proxy statement.

Name	Age	Director Since	Occupation	Skills	Independent	Committees
Frank C. Herringer	71	1996	Chairman of the Board, Transamerica Corporation	Public company knowledge and leadership experience	X	Compensation Nominating
Stephen T. McLin	67	1988	Chairman and Chief Executive Officer, STM Holdings LLC	Financial services expertise and leadership experience	X	Nominating Risk
Roger O. Walther	78	1989	Chairman and Chief Executive Officer, Tusker Corporation	Public company knowledge, leadership and financial services industry experience	X	Compensation Nominating
Robert N. Wilson	73	2003	Chairman, Mevion Medical Systems, Inc.	Public company knowledge and leadership experience	X	Compensation Nominating Risk

INDEPENDENT AUDITORS

We ask that you ratify the appointment of Deloitte & Touche LLP and the member firms of Deloitte Touche Tohmatsu (collectively referred to as Deloitte) as the company's independent registered public accounting firm for the 2014 fiscal year. While the Audit Committee has the sole authority to retain the independent auditors, we are asking for your ratification as part of the Audit Committee's evaluation process of the independent registered public accounting firm for the 2014 fiscal year.

Fees for services provided by Deloitte in the last two fiscal years were:

	2013	2012
	(amounts in millions)	
Audit Fees	\$ 6.5	\$ 6.4
Audit-Related Fees	2.0	2.1
Tax Fees	0.1	0.1
All Other Fees	None	None
Total	\$ 8.6	\$ 8.6

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EXECUTIVE COMPENSATION

We ask you to approve on an advisory basis the compensation of our named executive officers, i.e., the Chief Executive Officer, the Chief Financial Officer, and the next three most highly compensated executive officers. The advisory approval of named executive officer compensation is required by federal law, and while the vote is not binding, the Compensation Committee considers the vote as part of its evaluation of executive compensation programs.

2013 Executive Compensation Highlights

In 2013, our management team continued to pursue its strategy of providing our clients – individual investors, registered investment advisors and employers – with advice and services to help them achieve their financial goals. This investment in clients combined with expense discipline resulted in record client assets of \$2.25 trillion, a pre-tax profit margin of 31.4% and revenue growth of 11%.

The company’s compensation programs are designed to link pay to the long-term performance of the company. Key elements of compensation include:

Element	Form	Terms	Objectives
Base Salary	· Cash	· Reviewed annually	· Attract, motivate and retain executives
Annual Incentives	· Cash	· Subject to satisfaction of performance criteria	· Attract, motivate and retain executives · Reward executives for individual performance · Link pay with company financial performance
Long-Term Incentives	· Performance-based restricted stock units	· Restricted stock units vest 25% per year subject to satisfaction of performance criteria	· Attract, motivate and retain executives
	· Stock options	· Stock options generally vest 25% per year and have a ten-year term	· Reward executives for individual performance
	· One-time cash long-term incentive program	· Cash long-term incentive program has a cliff vesting after four years based on cumulative earnings per share	· Link pay with company financial performance · Align with long-term interests of stockholders

Financial performance in 2013 supported an annual cash incentive payout below the target award set for earnings per share (EPS), and the Compensation Committee approved funding at 89.7% of the target award for the named executive officers. The performance goal for

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performance-based restricted stock units (PBRsUs) granted in 2013 was based on return on common equity (ROCE) divided by cost of equity capital (COE) to align the executives' interests with the long-term interests of stockholders. These units vest only if the performance goals are satisfied for the annual performance period.

Summary compensation information for the named executive officers in 2013 is contained in the following table. As discussed in the proxy statement, these amounts are presented in accordance with accounting assumptions and Securities and Exchange Commission rules, and the amount that the executive actually receives may vary substantially from what is reported in the equity columns of the table.

Table of Contents**2013 SUMMARY COMPENSATION**

Name and Principal Position	Salary (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Walter W. Bettinger II President and Chief Executive Officer	1,000,000	5,044,527	3,250,000	3,363,750	68,211	12,726,488
Joseph R. Martinetto Chief Financial Officer	575,000	1,244,116	870,000	902,606	25,665	3,617,387
John S. Clendening Executive Vice President Investor Services	520,833	1,164,116	750,000	700,781	23,832	3,159,562
James D. McCool Executive Vice President Client Solutions	550,000	1,164,116	750,000	863,362	25,586	3,353,064
Charles R. Schwab Chairman	500,000	2,328,240	1,500,000	1,121,250	38,542	5,488,032

STOCKHOLDER PROPOSALS

There are stockholder proposals to vote on that are described in the proxy statement.

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NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS

The 2014 Annual Meeting of Stockholders of The Charles Schwab Corporation will be held as a virtual event on Thursday, May 15, 2014, at 2:00 p.m. Pacific Time, at www.schwabevents.com/corporation. You also may attend in person at 211 Main Street, San Francisco, California. At the annual meeting, we will conduct the following items of business:

- elect four directors for three-year terms,
 - vote to ratify the selection of independent auditors,
 - vote for the approval, on an advisory basis, of compensation of named executive officers,
 - vote on three stockholder proposals, and
 - consider any other business properly coming before the meeting.
- Stockholders who owned shares of our common stock at the close of business on March 17, 2014 are entitled to attend and vote at the meeting and any adjournment or postponement of the meeting. A complete list of registered stockholders will be available prior to the meeting at our principal executive offices at 211 Main Street, San Francisco, California 94105.

By Order of the Board of Directors,

CARRIE E. DWYER
EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL AND
CORPORATE SECRETARY

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of

Stockholders to be Held on May 15, 2014. The proxy statement and annual report to

security holders are available in the Investor Relations section of our web site at

www.aboutschwab.com.

Your Vote is Important

Please vote as promptly as possible by following the instructions on your proxy card or voting instruction form. If you plan to attend the meeting virtually via the internet or in person, you must register by following the instructions contained in the Information about the Annual Meeting section of this proxy statement.

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PROXY STATEMENT

The Board of Directors is sending these proxy materials to you on or about March 28, 2014. Stockholders who owned the company's common stock at the close of business on March 17, 2014 may attend and vote at the annual meeting. Each share is entitled to one vote. There were 1,300,456,608 shares of common stock outstanding on March 17, 2014.

INFORMATION ABOUT THE ANNUAL MEETING

How do I register for the annual meeting?

You must register in advance to attend the annual meeting virtually via the internet or in person. While you may watch the webcast without registering, you will not be able to access the area of the website where you can ask questions and vote.

To register to attend the annual meeting virtually via the internet or in person, please go to:

www.schwabevents.com/corporation.

You will be asked to provide your name, complete mailing address, email address and proof that you own Schwab shares (such as the Schwab account number in which you hold the shares, or the name of the broker and number of shares that you hold in an account outside of Schwab).

You also may write the Assistant Corporate Secretary at the address in the Corporate Governance Information section of this proxy statement or call the Assistant Corporate Secretary at (415) 667-9979 if you plan to attend the in-person meeting.

How may I vote shares at the annual meeting?

If you plan to vote at the annual meeting and your shares are held in street name (e.g., through a bank or broker), you will need a legal proxy to vote your shares at the annual meeting. You may obtain a legal proxy from your bank or broker. If you plan to vote at the virtual meeting, please send your legal proxy to our transfer agent, Wells Fargo Bank, N.A., by fax to (651) 450-4026 or email to wfssproxyteam@wellsfargo.com. If you plan to vote at the in-person meeting, please bring the legal proxy with you.

If you hold shares registered in your name (e.g., in certificate form), you will not need a legal proxy to vote your shares.

How do I access the virtual annual meeting?

To access the virtual annual meeting, please go to:

www.schwabevents.com/corporation.

If you register in advance to attend the annual meeting, we will email you information on how to access the area of the virtual meeting where you will be able to submit questions and vote.

How do I attend the in-person meeting?

If you plan to attend the in-person meeting, in accordance with our security procedures, you will be asked to present picture identification to enter the meeting. Attendance at the annual meeting is limited to stockholders or one named representative of a stockholder. Seating is limited and, therefore, admission to the annual meeting is on a first-come, first-served basis. If you will be naming a representative to attend the meeting on your behalf, the name, address and telephone number of that individual must also be provided.

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PROPOSAL ONE:

ELECTION OF DIRECTORS

Nominees for directors this year are:

· Frank C. Herringer

· Stephen T. McLin

· Roger O. Walther

· Robert N. Wilson

Each nominee is presently a director of the company and has consented to serve a three-year term. Biographical information about each of the nominees is contained in the following section.

MEMBERS OF THE BOARD OF DIRECTORS

NANCY H. BECHTLE

DIRECTOR SINCE 1992

Ms. Bechtle, age 76, served as President and Chief Executive Officer of the San Francisco Symphony from 1987 until 2001 and has served as a member of the San Francisco Symphony Board of Governors since 1984. She was a director and Chief Financial Officer of J.R. Bechtle & Co., an international consulting firm, from 1979 to 1998. Ms. Bechtle has served as Chairman and a director of Sugar Bowl Corporation, a ski resort operator, since 1998. She was appointed a director of the Presidio Trust in 2008 and currently serves as its Chairman. She also served as a director of the National Park Foundation from 2002 until 2008 and was its Vice Chairman from 2005 until 2008. Ms. Bechtle's term expires in 2015.

Ms. Bechtle brings leadership skills and financial experience to the board, having served as Chief Financial Officer of J.R. Bechtle & Co., Chairman of Sugar Bowl Corporation and Chief Executive Officer of the San Francisco Symphony. She has deep knowledge of the company and its business, having served on the board since 1992.

WALTER W. BETTINGER II

DIRECTOR SINCE 2008

Mr. Bettinger, age 53, has served as President and Chief Executive Officer of The Charles Schwab Corporation and a member of the Board of Directors since 2008. He also serves as a member of the Board of Directors of Charles Schwab Bank and Charles Schwab & Co., Inc., and as a trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Laudus Trust, Laudus Institutional Trust, and Schwab Strategic Trust, all registered investment companies. Prior to assuming his current role, he served as President and Chief Operating Officer of the company. He also served as Executive Vice President and President - Schwab Investor Services from 2005 until 2007, Executive Vice President and Chief Operating Officer - Individual Investor Enterprise from 2004 until 2005, Executive Vice President and President - Corporate Services from 2002 until 2004 and Executive Vice President and President - Retirement Plan Services from 2000 until 2002. Mr. Bettinger joined the company in 1995 as part of the acquisition of The Hampton Company, which he founded in 1983. Mr. Bettinger's term expires in 2015.

Mr. Bettinger has significant financial services experience, having served in a senior executive role overseeing sales, service, marketing and operations. As Chief Executive Officer of the company, Mr. Bettinger works closely with the b