

SCHWAB CHARLES CORP  
Form DEF 14A  
March 30, 2012  
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**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

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 |
| <input checked="" type="checkbox"/> Definitive Proxy Statement              | Rule 14a-6(e)(2))  |
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**The Charles Schwab Corporation**

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

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No fee required.

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:



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**2012 Proxy Statement**

March 30, 2012

Dear Fellow Stockholders,

We cordially invite you to attend our 2012 Annual Meeting of Stockholders to be held on Thursday, May 17, 2012, at 2:00 p.m. Pacific Time. We are pleased to host the meeting as a virtual event at [www.schwabevents.com/corporation](http://www.schwabevents.com/corporation). You also may attend the meeting in person at 211 Main Street, San Francisco, California. If you plan to attend the meeting virtually via the internet or in person, please follow the registration instructions as outlined in this proxy statement.

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 2011 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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This summary highlights information contained elsewhere 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 17, 2012  
 Time: 2:00 p.m., Pacific Time  
 Location: [www.schwabevents.com/corporation](http://www.schwabevents.com/corporation)

or

211 Main Street, San Francisco, California

Record Date: March 19, 2012  
 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**

	<b>Board Recommendation</b>	<b>Page</b>
Election of Directors		
Nancy H. Bechtle	For	2
Walter W. Bettinger II	For	2
C. Preston Butcher	For	2
Ratification of Independent Auditors	For	13
Advisory Approval of Named Executive Officer Compensation	For	16
Proposal to amend Certificate of Incorporation and Bylaws to Declassify the Board	For	46
Stockholder Proposal on Political Contributions	Against	51
Stockholder Proposal to amend Bylaws regarding Proxy Access	Against	52

**DIRECTOR NOMINEES**

We ask that you vote for the election of Nancy H. Bechtle, Walter W. Bettinger II, and C. Preston Butcher. The following table provides summary information on these nominees; complete biographical information is contained in the proxy statement.

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Occupation</b>	<b>Skills</b>	<b>Independent</b>	<b>Committees</b>
Nancy H. Bechtle	74	1992	Chairman, Sugar Bowl Corporation	Finance	X	Nominating
				Leadership		Compensation
Walter W. Bettinger II	51	2008	President and Chief Executive Officer, The Charles Schwab Corporation	Financial Services		
				Leadership		
				Strategic		
C. Preston Butcher	73	1988	Chairman and Chief Executive Officer, Legacy Partners	Finance	X	Nominating
				Leadership		Audit



**Table of Contents****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 2012 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 next fiscal year.

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

	<b>2011</b>	<b>2010</b>
	(amounts in millions)	
Audit Fees	\$ 5.2	\$ 4.4
Audit-Related Fees	1.8	1.8
Tax Fees	0.1	0.1
All Other Fees	None	None
<b>Total</b>	<b>\$ 7.1</b>	<b>\$ 6.3</b>

**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.

***2011 Executive Compensation Highlights***

In 2011, our management team continued to position the company for future growth, invest in clients, and sustain expense discipline, which resulted in a pretax profit margin of 29.7% and return on stockholders' equity of 12%.



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

<b>Element</b>	<b>Form</b>	<b>Terms</b>	<b>Objectives</b>
Base Salary	· Cash	· Reviewed annually	· Attract, motivate and retain executives
Annual Incentives	· Cash	· Subject to satisfaction of performance criteria	· Attract, motivate and retain executives  · Link pay with 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  · Link pay with individual performance
	· Stock options	· Stock options generally vest 25% per year and have a 10 year term	· Link pay with company financial performance  · Align with long-term interests of stockholders

In 2011, the target for annual incentive compensation was set at earnings per share levels achieved prior to the onset of the financial crisis. Financial performance in 2011 supported a payout below this aggressive target, at 78% of the target award. The performance goal for performance-based restricted stock units was set as return on equity exceeding the cost of equity to align the executives' interests with long-term interests of stockholders. These units vest only if the performance goals are satisfied for the annual performance period or the cumulative four-year performance period.

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Summary compensation information for the named executive officers in 2011 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.

**2011 SUMMARY COMPENSATION**

Name and Principal Position	Salary (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
<b>Walter W. Bettinger II</b> PRESIDENT AND CHIEF EXECUTIVE OFFICER	900,000	1,950,000	4,550,000	2,632,500	71,877	10,104,377
<b>Joseph R. Martinetto</b> CHIEF FINANCIAL OFFICER	497,667	390,000	910,000	582,269	19,564	2,399,500
<b>Benjamin L. Brigeman</b> EXECUTIVE VICE PRESIDENT INVESTOR SERVICES	543,500	450,000	1,050,000	741,877	21,627	2,807,004
<b>James D. McCool</b> EXECUTIVE VICE PRESIDENT INSTITUTIONAL SERVICES	522,667	420,000	980,000	713,440	47,462	2,683,569
<b>Charles R. Schwab</b> CHAIRMAN	500,000	900,000	2,100,000	975,000	42,979	4,517,979

**OTHER PROPOSALS**

For a description of our proposal regarding declassification of the Board of Directors and the two stockholder proposals, and our reasons for our recommendation on each proposal, please see the information contained within the proxy statement.

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**NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS**

The 2012 Annual Meeting of Stockholders of The Charles Schwab Corporation will be held as a virtual event on Thursday, May 17, 2012, at 2:00 p.m. Pacific Time, at [www.schwabevents.com/corporation](http://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 three 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 to amend the certificate of incorporation and bylaws to declassify the board,
- vote on two 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 19, 2012 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 17, 2012. The proxy statement and annual report to**

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

**[www.aboutschwab.com](http://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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**INFORMATION ABOUT THE ANNUAL MEETING**

The Board of Directors is sending these proxy materials to you on or about March 30, 2012. Stockholders who owned the company's common stock at the close of business on March 19, 2012 may attend and vote at the annual meeting. Each share is entitled to one vote. There were 1,272,811,091 shares of common stock outstanding on March 19, 2012.

***How do I register for the annual meeting?***

You must register in advance to attend the annual meeting in person or virtually via the internet. 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 if you do not register.

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

[www.schwabevents.com/corporation](http://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](mailto:wfssproxyteam@wellsfargo.com). If you plan to vote at the in-person meeting, you may 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](http://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:

- Nancy H. Bechtle
  
- Walter W. Bettinger II
  
- C. Preston Butcher

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 74, 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 is a nominee for election this year.

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 our board since 1992.

**WALTER W. BETTINGER II**

DIRECTOR SINCE 2008

Mr. Bettinger, age 51, 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 Chief Executive Officer and 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 is a nominee for election this year.

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 board in evaluating and enhancing the strategic position of the company.



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### **C. PRESTON BUTCHER**

DIRECTOR SINCE 1988

Mr. Butcher, age 73, has been Chairman and Chief Executive Officer of Legacy Partners (formerly Lincoln Property Company N.C., Inc.), a real estate development and management firm, since 1998 and Chairman of the Board, Chief Executive Officer and Director of KBS Legacy Partners Apartment REIT, Inc., a real estate investment trust, since 2009. Mr. Butcher served as President, Chief Executive Officer and Regional Partner of Lincoln Property Company N.C., Inc. from 1967 until 1998. He is a director of Northstar Realty Finance Corp. Mr. Butcher is a nominee for election this year.

Mr. Butcher brings leadership skills and experience in complex financial transactions to the board as Chairman and Chief Executive Officer of Legacy Partners. He has deep knowledge of the company and its business, having served on our board since 1988.

### **FRANK C. HERRINGER**

DIRECTOR SINCE 1996

Mr. Herringer, age 69, has been Chairman of the Board of Transamerica Corporation, a financial services company, since 1996. He served as Chief Executive Officer of Transamerica from 1991 to 1999 and President from 1986 to 1999, when Transamerica was acquired by AEGON N.V. From the date of the acquisition until 2000, Mr. Herringer served on the Executive Board of AEGON N.V. and as Chairman of the Board of AEGON USA, Inc. Mr. Herringer is also a director of AEGON U.S. Corporation, the holding company for AEGON N.V.'s operations in the United States, Amgen Inc., a biotechnology company, Safeway, Inc., a food and drug retailer, and Cardax Pharmaceuticals, a biotechnology company. Mr. Herringer's term expires in 2014.

Mr. Herringer brings public company knowledge and leadership experience to the board, having served as Chief Executive Officer of Transamerica, and his service at Transamerica and AEGON contribute to his knowledge of the financial services industry. Mr. Herringer brings insights to our board from his service on other public company boards.

### **STEPHEN T. MCLIN**

DIRECTOR SINCE 1988

Mr. McLin, age 65, has been Chairman and Chief Executive Officer of STM Holdings LLC, which offers merger and acquisition advice, since 1998. From 1987 until 1998, he was President and Chief Executive Officer of America First Financial Corporation, a finance and investment banking firm, and parent of EurekaBank. Before that, he was an Executive Vice President of Bank of America. Mr. McLin is an advisory director of Headwaters MB, a merchant bank, and Financial Technology Ventures, a private equity fund. Mr. McLin's term expires in 2014.

Mr. McLin brings leadership experience to the board, having served as Chief Executive Officer of America First Financial Corporation and having extensive knowledge of the financial services industry through his experience at STM Holdings, LLC, America First Financial Corporation and Bank of America. His financial expertise is critical for his role as Audit Committee Chairman.

### **ARUN SARIN**

DIRECTOR SINCE 2009

Mr. Sarin, age 57, served as Chief Executive Officer of Vodafone Group Plc, a mobile telecommunications company, from 2003 until his retirement in 2008. Beginning in 1984, he held a variety of management positions with Pacific



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Telesis Group, a telecommunications company, and AirTouch Communications, Inc., a wireless telecommunications company, which was spun off from Pacific Telesis Group in 1994. He was appointed President and Chief Operating Officer of AirTouch in 1997. In 1999, Mr. Sarin was appointed Chief Executive Officer of Vodafone's US/AsiaPacific region. He left Vodafone in 2000 to become Chief Executive Officer of Infospace, Inc., an information technology company. From 2002 until 2003, he served as Chief Executive Officer of Accel-KKR Telecom, a private equity firm. He served as a non-executive director of the Court of the Bank of England from 2005 until May 2009. He currently serves as senior advisor for KKR. Mr. Sarin is a director of Cisco Systems, Inc., a networking and communications technology company, and Safeway, Inc., a food and drug retailer. Mr. Sarin's term expires in 2013.

Mr. Sarin brings public company knowledge and leadership experience to the board, having served as President and Chief Operating Officer of AirTouch Communications, Inc. and Chief Executive Officer of Vodafone Group Plc. He brings insights to our board from his service on other public company boards.

### **CHARLES R. SCHWAB**

DIRECTOR SINCE 1986

Mr. Schwab, age 74, has been Chairman and a director of The Charles Schwab Corporation since its incorporation in 1986. Mr. Schwab served as Chief Executive Officer of the company from 1986 to 1997 and from 2004 until 2008. He served as Co-Chief Executive Officer of the company from 1998 to 2003. Mr. Schwab was a founder of Charles Schwab & Co., Inc. in 1971, has been its Chairman since 1978, and served as its Chief Executive Officer from 2004 until 2008. Mr. Schwab is Chairman of Charles Schwab Bank and Chairman and trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Laudus Trust and Laudus Institutional Trust, all registered investment companies. Mr. Schwab's term expires in 2013.

Mr. Schwab is the founder of the company, was the Chief Executive Officer of the company, and has been the Chairman since its inception. His vision continues to drive the company's growth.

### **PAULA A. SNEED**

DIRECTOR SINCE 2002

Ms. Sneed, age 64, is Chairman and Chief Executive Officer of Phelps Prescott Group, LLC, a strategy and management consulting firm. She served as Executive Vice President, Global Marketing Resources and Initiatives, of Kraft Foods, Inc., a global food and beverage company, from 2005 until her retirement in 2006; Senior Vice President, Global Marketing Resources and Initiatives from 2004 to 2005; and Group Vice President and President of E-Commerce and Marketing Services for Kraft Foods North America, part of Kraft Foods, Inc., from 2000 until 2004. She joined General Foods Corporation (which later merged with Kraft Foods) in 1977 and held a variety of management positions, including Chief Marketing Officer, Executive Vice President and President Desserts division, and Executive Vice President and President eCommerce division. Ms. Sneed is a director of Airgas, Inc., a national distributor of industrial, medical and specialty gases and related equipment, and TE Connectivity, Ltd., a manufacturer of engineered electronic components, network solutions, wireless systems and telecommunications systems. Ms. Sneed's term expires in 2013.

Ms. Sneed brings marketing skills and general management and leadership experience to the board, having served as Executive Vice President, Global Marketing Resources and Initiatives, of Kraft Foods, her other management positions at Kraft, and as Chairman and Chief Executive Officer of Phelps Prescott Group. She brings insights to our board through her service on other public company boards.

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### **ROGER O. WALTHER**

DIRECTOR SINCE 1989

Mr. Walther, age 76, has served as Chairman and Chief Executive Officer of Tusker Corporation, a real estate and business management company, since 1997. He served as Chairman and Chief Executive Officer of ELS Educational Services, Inc., a provider in the United States and internationally of courses in English as a second language, between 1992 and 1997. Mr. Walther was President, Chief Executive Officer and a director of AIFS, Inc., which designs and markets educational and cultural programs internationally, from 1964 to 1993. Mr. Walther served as Chairman and a director of First Republic Bank from 1985 until 2007. Mr. Walther's term expires in 2014.

Mr. Walther brings public company knowledge, leadership, and financial services industry experience to the board, having served as Chairman and Chief Executive Officer of Tusker Corporation, Chairman and a director of First Republic Bank, Chief Executive Officer of ELS Educational Services, Inc. and Chief Executive Officer of AIFS, Inc.

### **ROBERT N. WILSON**

DIRECTOR SINCE 2003

Mr. Wilson, age 71, is Chairman of MEVION Medical Systems (formerly Still River Systems), a medical device company. Mr. Wilson was Chairman of Caxton Health Holdings, LLC, a healthcare-focused investment firm, from 2004 through 2007, and was Vice Chairman of the board of directors of Johnson & Johnson, a manufacturer of health care products, from 1989 until 2003. Mr. Wilson joined Johnson & Johnson in 1964. Mr. Wilson is also a director of Hess Corporation, an integrated oil and gas company, and Synta Pharmaceuticals Corporation, a bio-pharmaceutical company. Mr. Wilson's term expires in 2014.

Mr. Wilson brings public company knowledge and leadership experience to the board, having served as Vice Chairman of Johnson & Johnson, Chairman of MEVION Medical Systems, and Chairman of Caxton Health Holdings. He brings insights to our board as a director of other public company boards.

### **DIRECTOR INDEPENDENCE**

We have considered the independence of each member of the board in accordance with New York Stock Exchange corporate governance standards. To assist us in our determination, we also adopted general guidelines for independence. The guidelines for independence are available on the company's website at [www.aboutschwab.com/governance](http://www.aboutschwab.com/governance).

Based on our guidelines and New York Stock Exchange corporate governance standards, we have determined that the following directors are independent: Nancy H. Bechtle, C. Preston Butcher, Frank C. Herringer, Stephen T. McLin, Arun Sarin, Paula A. Sneed, Roger O. Walther, and Robert N. Wilson.

In determining independence, the Board of Directors considers broadly all relevant facts and circumstances regarding a director's relationships with the company. All non-employee directors receive compensation from the company for their service as a director, as disclosed in the section Director Compensation, and are entitled to receive reimbursement for their expenses in traveling to and participating in board and committee meetings. As disclosed in the Transactions with Related Persons section of this proxy statement, some directors and entities with which they are affiliated have credit transactions with the company's banking and brokerage subsidiaries, such as mortgage loans, revolving lines of credit, or other extensions of credit. These transactions with directors and their affiliates are made in the ordinary course of business and to the extent permitted by the Sarbanes-Oxley Act of 2002. Such transactions are on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the lender and do not involve more than the normal risk of collectability or present other unfavorable features.

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In addition to the relationships outlined above, the board considered the following types of relationships for the following directors:

- Nancy H. Bechtle: The director serves as a director of a nonprofit organization to which the company, its affiliates or its charitable foundation have made donations.
- C. Preston Butcher: The director's spouse serves as a director of a nonprofit organization to which the company, its affiliates or its charitable foundation have made donations.
- Frank C. Herringer: The director's spouse serves as a director of a nonprofit organization to which the company, its affiliates or its charitable foundation have made donations.
- Stephen T. McLin: The director's son is employed by the company in a non-executive officer, non-managerial capacity.
- Paula A. Sneed: The director serves as a director of a nonprofit organization to which the company, its affiliates or its charitable foundation have made donations.

## **CORPORATE GOVERNANCE INFORMATION**

### ***Board Leadership***

The Chairman of the Board is Charles R. Schwab. The Chairman and Chief Executive Officer roles are split, and Mr. Bettinger serves as Chief Executive Officer. The Chairman of the Board approves the agenda for board meetings and leads the board in its discussions. Mr. Schwab and Mr. Bettinger, as the only two management directors, do not participate in sessions of non-management directors. As provided in our Corporate Governance Guidelines, non-management directors meet regularly in executive session without management. The Chairman of the Nominating and Corporate Governance Committee presides over the executive sessions of non-management directors. Mr. Herringer, as chairman of the Nominating and Corporate Governance Committee in 2011, led the non-management directors in executive session.

The board has three standing committees (Audit, Compensation, and Nominating and Corporate Governance) that are composed entirely of independent directors and are chaired by independent directors. Given the role and scope of authority of these committees, and that 80% of the board is composed of independent directors, the board believes that its leadership structure, with the Chairman of the Board leading board discussions, and the Chairman of the Nominating and Corporate Governance Committee leading non-management executive sessions, is appropriate.

### ***Risk Oversight***

As part of its oversight functions, the Board of Directors is responsible for oversight of risk management at the company. Responsibility for oversight of risk management is delegated to the Audit Committee, which reviews with management the company's major risk exposures and the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies. The Compensation Committee, as described in the Compensation Discussion and Analysis, separately reviews the compensation program with respect to incentives for risk-taking by employees. For further discussion of risk management at the company, please see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Management of the company's Form 10-K for the period ended December 31, 2011.

### ***Board Structure and Committees***

The authorized number of directors is currently ten and the company has ten directors. Three directors are nominees for election this year and seven directors will continue to serve the terms described in their biographies.



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Directors currently serve staggered terms. Each director who is elected at an annual meeting of stockholders serves a three-year term, and the directors are divided into three classes.

The board held seven meetings in 2011. Each director attended at least 75% of all board and applicable committee meetings during 2011. As provided in our Corporate Governance Guidelines, we expect directors to attend the annual meeting of stockholders. In 2011, nine directors attended the annual meeting.

We have an Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. Each of these committees is composed entirely of independent directors as determined by the Board of Directors in accordance with its independence guidelines and New York Stock Exchange corporate governance standards. In addition to those standing committees, the board may from time to time establish *ad hoc* committees to assist in various matters.

The Audit Committee held twelve meetings in 2011 and is composed of the following members: Stephen T. McLin (Chairman), C. Preston Butcher, and Arun Sarin. None of the directors on the Audit Committee is or has been an employee of The Charles Schwab Corporation or any of its subsidiaries. None of the Audit Committee members simultaneously serves on the audit committees of more than three public companies, including ours. The board has determined that all of the members of the Audit Committee are financially literate in accordance with New York Stock Exchange listing standards and that Stephen T. McLin is an Audit Committee financial expert in accordance with Securities and Exchange Commission rules.

The Audit Committee:

- reviews and discusses with management and the independent auditors the company's annual and quarterly financial statements and the integrity of the financial reporting process,
- reviews the qualifications and independence of the independent auditors and performance of the company's internal and independent auditors,
- reviews reports from management regarding major risk exposures and steps management has taken to address such exposures, and
- reviews compliance with legal and regulatory requirements.

The Compensation Committee held seven meetings in 2011 and is composed of the following members: Roger O. Walther (Chairman), Nancy H. Bechtle, Frank C. Herringer, Paula A. Sneed, and Robert N. Wilson. The Compensation Committee:

- annually reviews and approves corporate goals and objectives relating to compensation of executive officers and other senior officers,
- evaluates the performance of executive officers and other senior officers and determines their compensation levels,
- reviews and approves compensatory arrangements for executive officers and other senior officers, and
- approves long-term awards for executive officers and other senior officers.

The Nominating and Corporate Governance Committee held two meetings in 2011 and is composed of the following members: Frank C. Herringer (Chairman), Nancy H. Bechtle, C. Preston Butcher, Stephen T. McLin, Arun Sarin, Paula A. Sneed, Roger O. Walther, and Robert N. Wilson. The Nominating and Corporate Governance Committee:

- identifies and evaluates individuals qualified to serve on the board,
- recommends nominees to fill vacancies on the board and each board committee and recommends a slate of nominees for election or re-election as directors by the stockholders,

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- makes recommendations regarding succession planning for the Chief Executive Officer and executive management, and
  - assesses the performance of the board and its committees and recommends corporate governance principles for adoption by the board.
- The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee have written charters. You may find a copy of these charters, as well as our Corporate Governance Guidelines and Code of Business Conduct and Ethics, on the company's website at [www.aboutschwab.com/governance](http://www.aboutschwab.com/governance). You also may obtain a paper copy of these items, without charge, from:

Assistant Corporate Secretary

The Charles Schwab Corporation

Mailstop SF211MN-05

211 Main Street

San Francisco, California 94105

**DIRECTOR COMPENSATION**

The following table shows compensation paid to each of our non-employee directors during 2011. The company does not provide any non-equity incentive plans, defined benefit and actuarial pension plans, or other defined contribution retirement plans for non-employee directors. The company does not offer above-market or preferential earnings under its nonqualified deferred compensation plans for directors.

**2011 Director Compensation Table**

Name	Fees Earned or Paid in Cash (\$)				All Other Compensation <sup>5</sup>	Total
	Paid in Cash <sup>1</sup>	Deferred into Restricted Stock Units or Options <sup>2, 6</sup>	Stock Awards <sup>3, 6</sup>	Option Awards <sup>4, 6</sup>		
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Nancy H. Bechtle	85,500		62,500	62,500	1,891	212,391
C. Preston Butcher		90,500	62,500	62,500	1,891	217,391
Frank C. Herringer		100,000	62,500	62,500	1,891	226,891
Stephen T. McLin	79,000	110,500	82,500	62,500	2,496	336,996
Arun Sarin	90,000		62,500	62,500	1,293	216,293
Paula A. Sneed	85,000		62,500	62,500	1,891	211,891
Roger O. Walther	100,000		62,500	62,500	1,891	226,891
Robert N. Wilson	85,000		62,500	62,500	1,891	211,891

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- (1) This column shows amounts paid in cash for retainers and meeting fees. For Mr. McLin, the amount in this column represents his cash retainer and fees for service on the Charles Schwab Bank board of directors.
  
- (2) This column shows the dollar amount of retainers and meeting fees deferred into restricted stock units or options under the Directors Deferred Compensation Plan II. The corresponding restricted stock units or options were as follows: 21,605 stock options for Mr. Butcher, 26,385 stock options for Mr. McLin, and 6,564 restricted stock units for Mr. Herringer.



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- (3) The amounts shown in this column represent the grant date fair value of the restricted stock unit award. In 2011, all non-employee directors received an automatic grant of restricted stock units with a grant date fair value of \$62,500. In addition, Mr. McLin received a grant of restricted stock units with a grant date fair value of \$20,000 for his service on the Charles Schwab Bank board.
- (4) The amounts shown in this column represent the grant date fair value of the option award. In 2011, all non-employee directors received an automatic grant of stock options with a grant date fair value of \$62,500.
- (5) This column shows the dollar amount of cash dividends on unvested restricted shares and dividend equivalents on unvested restricted stock units.
- (6) The following table shows the aggregate number of outstanding restricted stock, stock option and restricted stock unit awards granted to the non-employee directors as of December 31, 2011:

Name	Restricted Stock Awards	Stock Option Awards	Restricted Stock Unit Awards
Nancy H. Bechtle	1,780	93,901	6,832
C. Preston Butcher	1,780	278,721	33,708
Frank C. Herringer	1,780	92,669	87,612
Stephen T. McLin	2,350	166,615	38,144
Arun Sarin		24,000	6,562
Paula A. Sneed	1,780	90,463	49,964
Roger O. Walther	1,780	76,843	33,872
Robert N. Wilson	1,780	91,559	54,386

During 2011, Mr. Schwab and Mr. Bettinger received no additional compensation for their service as directors. Non-employee directors received the following retainers in 2011:

**Cash Retainers**

Each non-employee director received an annual cash retainer in the amount of \$85,000. In addition, the Chair of the Audit Committee received an annual cash retainer of \$25,000, and each other member of the Audit Committee received an annual cash retainer of \$5,000. The Chair of the Compensation Committee and the Chair of the Nominating and Corporate Governance Committee each received an annual cash retainer of \$15,000. There are no fees for attendance at board or committee meetings, but the board retains the discretion to establish special committees and to pay a special retainer to the Chair and the members of any special committee. The board has authorized meeting fees for service on a special committee by Ms. Bechtle, Mr. Butcher and Mr. McLin. The meeting fees for that special committee consisted of \$500 per meeting held on the same day as a board meeting and \$2,000 per meeting held on a day other than a board meeting.

**Equity Grants**

Each non-employee director received an annual equity grant under the 2004 Stock Incentive Plan with an aggregate value of \$125,000. Non-employee directors received the equity grant 50 percent in stock options and 50 percent in restricted stock units.



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### *Terms and Conditions*

Non-employee directors received the annual grants of options and restricted stock units on the second business day after the annual meeting of stockholders. In the event a new non-employee director is elected to the board during the year, a pro-rata amount of cash retainers and equity awards will be granted to that individual for the first calendar year in lieu of the full amount. The non-employee director equity grants are subject to the following terms and conditions:

- Annual grants of options and restricted stock units vest over the three-year period following the grant date, with 25% vesting on each of the first and second anniversary of the grant date and the remaining 50% on the third anniversary of the grant date. The options and restricted stock units become 100% vested in the event of the non-employee director's death, disability or retirement.
- The number of shares for the annual grant of restricted stock units is determined by dividing \$62,500 by the average of the high and low market price of the company's common stock on the grant date.
- The number of options for the annual grant of stock options is determined by dividing \$62,500 by the fair value of an option on the grant date.
- Each stock option is designated as a nonqualified stock option and has an exercise price equal to the fair market value of common stock on the grant date.
- Each stock option expires on the earliest of (1) the date ten years after the grant date, (2) the date three months after termination of service for any reason other than death, disability or retirement, (3) the date one year after termination of service because of death or disability, or (4) the date two years after termination of service because of retirement.

The company also has stock ownership guidelines for non-employee directors. Under our guidelines, each non-employee director should own company stock with a fair market value equal to or exceeding \$250,000. A new director should reach this target level upon completing five years of service. Once this target level is reached, the director is deemed to meet this target so long as he or she continues to hold an equivalent number of shares as on the date the target level was met. Shares owned outright, deferred shares and restricted stock and stock units are counted in determining the threshold under our stock ownership guidelines, but stock options are not.

### *Directors' Deferred Compensation Plan*

Non-employee directors also may participate in the Directors' Deferred Compensation Plan II. This plan allows them to defer receipt of all or a portion of their retainers and, at their election, either to:

(1) receive stock options that:

- have a fair value equal to the amounts deferred (as determined under the valuation method used by the company to value stock options at the time of the deferral),
- have an option exercise price equal to the closing price of common stock on the date the deferred amount would have been paid, and
- vest immediately upon grant and generally expire ten years after the grant date,  
or

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(2) receive restricted stock units that are funded by an equivalent number of shares of common stock to be held in a rabbi trust and distributed to the director when he or she ceases to be a director.

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### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

No member of the Compensation Committee is or has been an officer or employee of the company or any of its subsidiaries. There were no Compensation Committee interlocks as defined under Securities and Exchange Commission rules during 2011.

### **DIRECTOR NOMINATIONS**

The Nominating and Corporate Governance Committee recommended all of the nominees for election included in this year's proxy statement.

The Nominating and Corporate Governance Committee has a policy to consider candidates recommended by stockholders. The policy provides that stockholder recommendations must be in writing and include the following information: (i) the name, address and contact information of the recommending stockholder; (ii) proof of the stockholder's share ownership; (iii) a resume or statement of the candidate's qualifications; and (iv) a statement of the stockholder's relationship with the proposed candidate or interest in the proposed candidacy. The written recommendation must be addressed to the Assistant Corporate Secretary at the address provided in the Corporate Governance Information section of this proxy statement.

#### *Diversity*

When identifying director nominees, the board considers the qualifications and skills represented on the board. As discussed in the Director Qualifications section below, one of the considerations evaluated by the board is the diversity of experience and background of directors. This consideration is broad, is consistent with our company's non-discrimination policies, and includes diversity of skill sets and experience as well as background, including race and gender.

The Nominating and Corporate Governance Committee annually reviews the structure and size of the board to assure that the proper skills are represented on the board. This assessment includes the effectiveness of board composition, including the qualifications, skills, and diversity represented on the board.

#### *Director Qualifications*

The qualifications for directors are described in our Corporate Governance Guidelines, which are available on the company's website at [www.aboutschwab.com/governance](http://www.aboutschwab.com/governance). In addition, the committee believes that the following specific, minimum qualifications must be met by a nominee for the position of director:

- the ability to work together with other directors, with full and open discussion and debate as an effective group,
- current knowledge and experience in the company's business or operations, or contacts in the community in which the company does business and in the industries relevant to the company's business, or substantial business, financial or industry-related experience, and
- the willingness and ability to devote adequate time to the company's business.

The committee also considers the following qualities and skills when making its determination whether a nominee is qualified for the position of director:

- relationships that may affect the independence of the director or conflicts of interest that may affect the director's ability to discharge his or her duties,

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- diversity of experience and background, including the need for financial, business, academic, public sector and other expertise on the board or board committees, and
  - the fit of the individual's skills and experience with those of the other directors and potential directors in comparison to the needs of the company.
- When evaluating a candidate for nomination, the committee does not assign specific weight to any of these factors or believe that all of the criteria necessarily apply to every candidate.

### *Identifying and Evaluating Candidates for Director*

The Nominating and Corporate Governance Committee reviews the appropriate skills and characteristics required of board members in the context of the current composition of the board. Candidates considered for nomination to the Board of Directors may come from several sources, including current and former directors, professional search firms and stockholder recommendations. Nominees for director are evaluated, in consultation with the company's Chairman, by the committee, which may retain the services of a professional search firm to assist it in identifying or evaluating potential candidates.

## **COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

If you wish to communicate with the board, the chairman of the Nominating and Corporate Governance Committee, or with the independent directors as a group, you may send your communication in writing to the Assistant Corporate Secretary at the address provided in the Corporate Governance Information section of this proxy statement. You must include your name and address in the written communication and indicate whether you are a stockholder of the company.

The Assistant Corporate Secretary will compile all communications, summarize lengthy, repetitive or duplicative communications and forward them to the appropriate director or directors. The Assistant Corporate Secretary will not forward non-substantive communications or communications that pertain to personal grievances, but instead will forward them to the appropriate department within the company for resolution. In such cases, the Assistant Corporate Secretary will retain a copy of such communication for review by any director upon his or her request.

**Table of Contents****PROPOSAL TWO:****RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS**

The Audit Committee has selected 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 2012 fiscal year. Deloitte has served in this capacity since the company's inception. We expect representatives of Deloitte to attend the annual meeting of stockholders, where they will respond to appropriate questions from stockholders and have the opportunity to make a statement.

As required by federal law, the Audit Committee has the sole authority to retain the independent auditors. Although we are not required to submit the selection of the independent auditors to stockholders, we are asking for your ratification as part of the Audit Committee's evaluation process of the independent registered public accounting firm for the next fiscal year.

**AUDITOR FEES**

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

	2011	2010
	(amounts in millions)	
Audit Fees <sup>1</sup>	\$ 5.2	\$ 4.4
Audit-Related Fees <sup>2</sup>	1.8	1.8
Tax Fees <sup>3</sup>	0.1	0.1
All Other Fees <sup>4</sup>	None	None
<b>Total</b>	<b>\$ 7.1</b>	<b>\$ 6.3</b>

(1) Audit fees are the aggregate fees for professional services billed by Deloitte in connection with their audits of the consolidated annual financial statements and management's assessment of the effectiveness of internal control over financial reporting, and reviews of the consolidated financial statements included in quarterly reports on Form 10-Q.

(2) Audit-Related fees include assurance and related services, such as reports on internal controls, review of Securities and Exchange Commission filings, merger and acquisition due diligence and related services.

(3) Tax fees are limited by the Audit Committee to services by Deloitte for tax return review, preparation and compliance.

(4) All other fees represent fees not included in audit fees, audit-related fees, and tax fees.

In addition to the services listed above, Deloitte provides audit services to certain unconsolidated affiliated mutual funds and foundations. The fees for such audit services are included in the expenses of the mutual funds and foundations and borne by the stockholders of the funds and foundations. Amounts billed by Deloitte for these services were \$0.1 million in both 2011 and 2010. These amounts are not included in the expenses of The Charles Schwab Corporation.

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*Non-Audit Services Policies and Procedures*

The Audit Committee has adopted a policy regarding non-audit services performed by Deloitte. The Audit Committee's policy prohibits engaging Deloitte to perform the following services:

- any contingent fee arrangement,
  
- bookkeeping or other services relating to accounting records or financial statements of the audit client,
  
- broker-dealer services,
  
- actuarial services,