

E TRADE FINANCIAL Corp
Form DEF 14A
March 29, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

**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:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

E*TRADE Financial Corporation

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

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(4) Date Filed:

Notice of Annual Meeting of Stockholders

To Be Held May 9, 2013

TO OUR STOCKHOLDERS:

You are cordially invited to attend the Annual Meeting of Stockholders of E*TRADE Financial Corporation (E*TRADE, the Company , us or we), which will be held at the Time & Life Building Conference Center, 1271 Avenue of the Americas, 2nd Floor Room # 1, New York, NY 10020-1302, on May 9, 2013 at 10:00 a.m. EDT, for the following purposes:

1. To elect nine directors to the Board of Directors to serve until the 2014 annual meeting of Stockholders.
2. To approve, by a non-binding advisory vote, the compensation paid by the Company to its Named Executive Officers.
3. To consider and vote upon a proposal to ratify the selection of Deloitte & Touche LLP as independent registered public accounting firm for the Company for 2013.
4. To act upon such other business as may be brought before the meeting, or any adjournment or postponement thereof, by or at the direction of the Board.

The Board has fixed the close of business on March 11, 2013 as the record date for determining those stockholders entitled to vote at the Annual Meeting.

We have adopted the U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing a Notice of Internet Availability of Proxy Materials (the Internet Availability Notice) to our stockholders instead of a paper copy of this Proxy Statement and our 2012 Annual Report on Form 10-K, other than to those stockholders who have previously requested printed materials. The Internet Availability Notice contains instructions on how to access and review those documents over the Internet as well as instructions on how to obtain printed materials. We believe that this process allows us to provide our stockholders with the information they need in a more timely manner, while reducing the environmental impact and lowering the costs of printing and distributing our proxy materials. If you received an Internet Availability Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Internet Availability Notice.

All stockholders of record on March 11, 2013 are invited to attend the Annual Meeting. To gain admission to the Annual Meeting, you will be required to present identification containing a photograph and some indication that you are a stockholder of the Company. For security purposes prior to gaining admission to the Annual Meeting, you will be required to go through building security in the main lobby of 1271 Avenue of the Americas, New York, NY 10020. In addition, packages and bags may be inspected and they may have to be checked at the door. Finally, other measures may be used for the security of those attending the Annual Meeting. Please plan accordingly.

Representation of at least a majority of all outstanding shares of the Company s Common Stock in person or by proxy is required to constitute a quorum for the Annual Meeting. For that reason, it is important that your shares be represented at the Annual Meeting. WHETHER OR NOT

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YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE SUBMIT YOUR PROXY AS SOON AS POSSIBLE. Unless you have previously requested printed materials or you request a paper copy of our proxy materials in the manner specified in the Internet Availability Notice, you will not receive a paper proxy card. We encourage you to submit your proxy online. Your proxy may be revoked online at any time prior to 11:59 p.m. EDT on May 8, 2013.

Please read the proxy materials carefully. Your vote is important and the Company appreciates your cooperation in considering and acting on the matters presented.

Very truly yours,

Frank J. Petrilli
Chairman of the Board

March 29, 2013

New York, New York

Stockholders Should Read the Entire Proxy Statement Carefully

Prior to Returning Their Proxy Cards

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS OF E*TRADE FINANCIAL CORPORATION

To Be Held May 9, 2013

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the **Board**) of E*TRADE Financial Corporation (E*TRADE, the **Company**, **us** or **we**) of proxies to be voted at the Annual Meeting of Stockholders (the **Annual Meeting**), which will be held at the Time & Life Building Conference Center, 1271 Avenue of the Americas, 2nd Floor Room # 1, New York, NY 10020-1302, on May 9, 2013 at 10:00 a.m. EDT, or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Notice of Internet Availability of Proxy Materials (the **Internet Availability Notice**) was first mailed to stockholders on or about March 29, 2013. On or about March 29, 2013, we also mailed paper copies of this Proxy Statement and the proxy card to certain stockholders who previously requested paper materials. The principal offices of E*TRADE are located at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302.

VOTING PROCEDURES QUESTIONS AND ANSWERS

Who may vote and how many votes do I have?

Common stockholders of record at the close of business on March 11, 2013 (the **Record Date**) may vote. On that date there were 286,741,268 outstanding shares of our Common Stock, \$0.01 par value per share (the **Common Stock**).

All of the shares of Common Stock are entitled to vote at the Annual Meeting. Stockholders of record on the Record Date will have one vote for each share of Common Stock they hold.

How do proxies work?

The Board is asking for your proxy. By giving your proxy to the persons named in this Proxy Statement, you authorize them to vote your shares of Common Stock at the Annual Meeting in the manner you direct. You may vote your shares for, against or abstain for all, some or none of the director nominees and you may choose to vote your shares for, against or abstain with respect to the other matters we are submitting to a vote of our stockholders at the Annual Meeting. If you complete and submit your proxy voting instructions, but do not specify how to vote, the persons named as proxies will vote your shares FOR the election of directors as described in **Proposal 1 Election of Directors**; FOR approval of the compensation paid to the Named Executive Officers of the Company as described in **Proposal 2 Advisory Vote to Approve Executive Compensation**; and FOR ratification of the selection of accountants as described in **Proposal 3 Ratification of Selection of Independent Registered Public Accounting Firm**.

How can I receive a paper or electronic copy of this proxy statement?

We mailed the Internet Availability Notice to our stockholders instead of a paper copy of this Proxy Statement and our 2012 Annual Report on Form 10-K, except to certain stockholders who previously requested paper materials. The Internet Availability Notice contains instructions on how to access and review those documents over the Internet. If you received an Internet Availability Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Internet Availability Notice.

How do I vote?

You may vote in person by attending the meeting or by proxy. If you are a stockholder of record on the Record Date, you may vote by proxy through the Internet, by telephone or by mail. You may follow the instructions on the proxy card or the instructions below for voting by one of these methods.

To vote through the Internet, please visit www.proxyvote.com before 11:59 p.m. EDT on May 8, 2013. The Internet voting procedures are designed to authenticate the stockholder's identity and to allow stockholders to vote their shares and confirm that their instructions have been properly recorded. If you would like to receive future stockholder materials electronically, please enroll after you complete your voting process on www.proxyvote.com.

Please help us reduce the impact on the environment and save time and postage costs by voting through the Internet or by telephone. If your shares are held in street name by a broker or other nominee, you will receive instructions from the holder of record that you must follow in order to vote your shares. Whether you plan to attend the Annual Meeting or not, we encourage you to vote by proxy as soon as possible.

What does it mean if I receive more than one Internet Availability Notice or Proxy Card?

You may receive more than one Internet Availability Notice or Proxy Card depending on how you hold your shares. You will receive an Internet Availability Notice or Proxy Card for shares registered in your name. If you hold shares through someone else, such as a bank or broker, you may also receive materials from them asking how you want to vote. If your shares are registered differently and are in more than one account, you will receive more than one Internet Availability Notice or Proxy Card and may have to cast multiple votes. We encourage you to have all accounts registered in the same name and address whenever possible.

Can I change my vote?

You can revoke your proxy before the time of voting at the Annual Meeting in several ways (the revocation has to be received before the Annual Meeting to be counted):

by voting again at www.proxyvote.com before 11:59 p.m. EDT on May 8, 2013,

by mailing a revised proxy dated later than the prior proxy, or

by notifying our Corporate Secretary in writing that you are revoking your proxy. Our Corporate Secretary may be reached at our principal offices located at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302.

You can also revoke your proxy by voting in person at the Annual Meeting.

Who can attend the Annual Meeting?

Only stockholders as of March 11, 2013 or their duly appointed proxies and guests of the Company may attend the Annual Meeting. Please bring identification containing a photograph and proof of share ownership with you to the meeting. For example, the Internet Availability Notice received in connection with this meeting or a bank or brokerage account statement showing you owned Common Stock in the Company on March 11, 2013, the Record Date, is acceptable proof of share ownership.

What constitutes a quorum for the Annual Meeting?

A quorum is necessary to conduct business at the Annual Meeting. A quorum requires the presence of a majority of the outstanding shares of Common Stock entitled to vote, in person or represented by proxy. You will be counted toward the quorum requirement if you have voted by proxy.

Abstentions and broker non-votes count as shares present at the meeting for purposes of determining a quorum. A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular item because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares.

How many votes are needed?

For Proposal 1, assuming a quorum is present, directors will be elected by a majority of the votes cast. Votes cast excludes both abstentions and broker non-votes. In an uncontested election, such as this year's, any director nominee who receives an equal or greater number of votes against from his or her election as compared to votes for his or her election must tender his or her resignation to the Governance Committee of the Board. The Governance Committee is required to make recommendations to the Board with respect to any such tendered resignation. The Board will act on the tendered resignation within 90 days from the certification of the stockholder vote and will publicly disclose its decision, including its rationale. Please see Board Meetings and Committees Majority Voting Policy below for further details.

The outcome of the votes on the compensation paid by the Company to its Named Executive Officers in Proposal 2 will not be binding on the Board. The Board, in the exercise of its fiduciary duties, will consider the outcome of the advisory vote in determining how to proceed following such vote. An affirmative vote of the majority of the shares of common stock present in person or represented by proxy and entitled to vote on the item will be considered the approval, by an advisory vote, of the compensation of our Named Executive Officers in Proposal 2 and to ratify the selection of the independent registered public accounting firm in Proposal 3. Abstentions will have the same effect as a vote against Proposals 2 and 3.

If you hold your shares of Common Stock through a broker and you do not instruct the broker on how to vote, your broker may exercise its discretionary authority to vote your shares regarding Proposal 3, but cannot exercise its discretionary authority to vote your shares regarding Proposals 1 and 2. Such broker non-votes will have no effect with respect to Proposals 1 and 2.

Who pays for the solicitation of proxies?

The Company pays the cost of soliciting proxies. We retained Innisfree M&A Incorporated to advise the Company and assist with the solicitation of proxies for an estimated fee of \$17,500 plus reasonable out-of-pocket expenses. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for sending soliciting materials to stockholders and obtaining their votes. In addition to solicitation by mail, proxies may be solicited personally or by telephone or electronic media by our employees.

What if only one copy of these proxy materials was delivered to multiple stockholders who share a single address?

In some cases, only one mailing envelope with multiple Internet Availability Notices (or delivery of one copy of this Proxy Statement and the accompanying 2012 Form 10-K, for those who previously requested paper copies) is being delivered to multiple stockholders sharing an address unless we have received contrary instructions from one or more of the stockholders. We will deliver promptly, upon written or oral request, a separate copy of the mailing to a stockholder at a shared address to which a single copy of the mailing was delivered. To request a separate delivery of the mailing now or in the future, you may submit a written request to our Corporate Secretary, at the Company's principal offices located at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302. You may also send an email to ir@etrade.com or call us at (646) 521-4340. Additionally, any stockholders who are presently sharing an address and receiving multiple copies of the same mailings and who would rather receive a single copy of such materials may instruct us accordingly by directing their request to us in the manner provided above.

PROPOSAL 1

ELECTION OF DIRECTORS

Nine directors are currently standing for election to the Board. Under the Company's Amended and Restated Certificate of Incorporation, each of the Nine nominees standing for election at this Annual Meeting would, if elected, serve for a term beginning on the date of election and ending at the 2014 Annual Meeting of Stockholders or until his or her earlier resignation or removal. Messrs. Fisher, Griffin and Petrilli are not standing for re-election at the Annual Meeting.

The nominees for the Board are set forth below. In the absence of contrary instructions, the proxy holders intend to vote all proxies received by them in the accompanying form FOR the nominees for director listed below. In the event that any nominee is unable to or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board to fill the vacancy, if any. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies they receive for the nominees listed below. As of the date of this Proxy Statement, the Board is not aware of any nominee who will be unable or will decline to serve as a director.

Qualifications of Directors

The Board, acting through the Governance Committee, is responsible for recommending to the stockholders a group of nominees that, taken together, have a significant breadth and diversity of experience, professional expertise, knowledge and abilities to carry out the Board's responsibilities. Our Governance Committee Charter requires the Governance Committee to periodically review the composition of the Board and its committees in light of the risks, current challenges and needs of the Company and determine whether to add or remove individuals after considering issues of knowledge, expertise, judgment, term of service, age, skills, diversity of background and experience, and relations with various constituencies.

In presenting this year's nominees, the Governance Committee considered, among other things, the invaluable experience they gained dealing with the Company's credit issues and during the Company's regulatory transition, their ability to work as a collegial group during various intense and stressful periods and their willingness to spend the time necessary to perform their role despite other professional commitments.

In addition to the characteristics common to all of our directors, which include integrity, a strong professional reputation and a record of achievement in senior executive capacities, the Governance Committee has included on our Board persons with diverse backgrounds and skills reflecting the needs of the Company.

In determining that each member of the Board should serve on the Board, the Governance Committee considers the following specific experience and skills of the current Board:

experience in a broad range of occupations and industries which provides differing viewpoints and expertise relating to execution of the Company's business plans. These include banking, brokerage and financial services (Messrs. Idzik, Lam and Lawson, Ms. Saeger and Messrs. Sclafani, Velli and Willard), technology and e-commerce (Messrs., Idzik, Lam and Lawson and Ms. Weaver), marketing and consumer retail (Messrs. Lawson and Mmes. Saeger and Weaver), legal (Messrs. Kanner and Willard), and Enterprise Risk Management (Mr. Lam);

experience as a long-time director of the Company's largest subsidiary, E*TRADE Bank (Mr. Willard);

significant substantive experience in areas applicable to service on the Board's committees, including corporate financial management, auditing and accounting (Messrs. Lawson and Sclafani and Ms. Weaver), credit and risk management (Messrs. Lam and Lawson), regulated financial services (Messrs. Idzik, Lam, Lawson, Sclafani, Ms. Saeger and Mr. Velli), bank regulation (Messrs. Idzik, Velli and Willard), and corporate governance (Messrs. Kanner and Lam and Ms. Weaver); and

geographical diversity to reflect the Company's broad and international client base, including Western U.S. (Mmes. Saeger and Weaver) and Eastern U.S. (Messrs. Idzik, Kanner, Lam, Lawson, Sclafani, Velli and Willard).

Nominees to the Board of Directors

Name	Principal Occupation	Director Since	Age as of May 9, 2013
Paul T. Idzik	CEO, E*TRADE Financial Corporation	2013	52
Frederick W. Kanner	Senior Of Counsel, Covington & Burling LLP	2008	70
James Lam	President, James Lam & Associates	2012	52
Rodger A. Lawson	Retired Financial Services Executive	2012	66
Rebecca Saeger	Retired Marketing Executive	2012	58
Joseph L. Sclafani	Retired Banking Executive	2008	64
Joseph M. Velli	Chairman and CEO of ConvergEx Group, LLC	2010	55
Donna L. Weaver	Chairman of MxSecure, Inc.	2003	69
Stephen H. Willard	Chairman of the Board, Flamel Technologies, Inc.	2005	52

Paul T. Idzik has been a director of the Company and CEO since January 2013. Prior to joining the Company, Mr. Idzik was Group Chief Executive of DTZ Holdings PLC in London from November 2008 to August 2011. He also spent 10 years at Barclays PLC, first as Chief Administration Officer and then Chief Operating Officer at Barclays Capital Group, and then as Group Chief Operating Officer of Barclays PLC. Mr. Idzik began his career as a consultant and spent over a decade with Booz Allen Hamilton, Inc. Mr. Idzik is on the Board of Trustees of Oxford Philomusica, Oxford's professional symphony orchestra. Mr. Idzik has a B.A. in Economics and Computer Applications from the University of Notre Dame and an MBA in Finance and Accounting from the University of Chicago. He is President of E*TRADE Bank and a member of the E*TRADE Bank board.

Frederick W. Kanner has been a director of the Company since April 2008. Mr. Kanner is Senior Of Counsel at the law firm of Covington & Burling LLP in New York City. He was a partner in the law firm of Dewey Ballantine LLP and subsequently Dewey & LeBoeuf LLP from 1976 until he retired from the full-time practice of law at the end of 2009 and was Of Counsel until May 2012. He served as Chairman of Dewey's Corporate Finance practice for more than 15 years and as a member of its Management Committee for 20 years. He is a member of the board of directors of National Benefit Life Insurance Company, where he serves as Chairman of the Audit Committee, and the Lawyers' Committee for Civil Rights Under Law. Mr. Kanner received a Bachelor of Arts degree in economics from the University of Virginia and a Juris Doctor from the Georgetown University Law Center. Mr. Kanner is a member of the E*TRADE Bank board, the Audit Committee, the Compensation Committee and the Governance Committee.

James Lam has been a director of the Company since November 2012. Mr. Lam previously served as Founder and President of ERisk, Chief Risk Officer of Fidelity Investments, and Chief Risk Officer of GE Capital Markets Services, Inc. Mr. Lam is currently President of James Lam & Associates, a firm focused on corporate governance and risk management. He is the author of the best-selling book, *Enterprise Risk Management* (Wiley, 2003). Mr. Lam graduated summa cum laude with a BBA from Baruch College in 1983, and received an MBA with honors from UCLA in 1989. In 2004, he was appointed Senior Research Fellow at Peking University. Mr. Lam has taught MBA classes at Babson College and the Hult International Business School, and has guest lectured at Harvard Business School. Mr. Lam is a member of the E*TRADE Bank board, a member and Chair of the Risk Oversight Committee and a member of the Audit Committee.

Rodger A. Lawson has been a director of the Company since February 2012 and was Lead Independent Director from August 2012 to January 2013. Mr. Lawson is a retired financial services executive who most recently served as President and CEO of Fidelity Investments Financial Services. Prior to joining Fidelity,

Mr. Lawson served in several senior executive roles with Prudential Financial including Vice Chairman of Prudential Financial. He has held numerous other executive positions in financial services, including President and CEO of Van Eck Global, and Managing Director and Partner of Bankers Trust Company and CEO of the Private Bank and Global Mutual Funds. Previously, Mr. Lawson was President and CEO of Fidelity Investments Retail Group, and CEO of the Dreyfus Service Corporation. Mr. Lawson is currently on the board of directors of UnitedHealth Group, Inc. Mr. Lawson is a member of the E*TRADE Bank board and the Compensation Committee.

Rebecca Saeger has been a director of the Company since February 2012. Ms. Saeger served as Executive Vice President at Charles Schwab from 2004 through 2010, most recently as Chief Marketing Officer. Prior to joining Charles Schwab, she was Executive Vice President Marketing at Visa U.S.A. Previously, Ms. Saeger was Senior Vice President and head of Account Management at Foote, Cone & Belding, and Senior Vice President at Ogilvy & Mather. She has served on the board of directors as Chair of the Association of National Advertisers (ANA). She received a Bachelor of Arts from Muhlenberg College and an MBA from the Wharton School at the University of Pennsylvania. Ms. Saeger is member of the E*TRADE Bank board and a member of the Governance Committee and Compensation Committee.

Joseph L. Sclafani has been a director of the Company since June 2008. Mr. Sclafani is former Executive Vice President and Controller of JPMorgan Chase & Co. His 38 years of experience include 27 years at JPMorgan Chase & Co. and its predecessors, serving most recently as Corporate Controller responsible for corporate financial operations, regulatory reporting, financial accounting and reporting and accounting policies. Mr. Sclafani also spent 11 years at KPMG as a certified public accountant. He earned a Bachelor of Arts degree from St. Francis College in Brooklyn and completed post-graduate studies in finance at Bernard Baruch. Mr. Sclafani is a member of the E*TRADE Bank board, a member and the Chair of the Audit Committee, where he is designated an audit committee financial expert, and is a member of the Risk Oversight Committee.

Joseph M. Velli has been a director of the Company since January 2010. Mr. Velli is the Chairman and CEO of ConvergeX Group, LLC (ConvergeX), a global provider of software products and technology services to asset managers and financial intermediaries. Mr. Velli was formerly Senior Executive Vice President of The Bank of New York and CEO of BNY Securities Group. During his tenure with the Bank of New York, Mr. Velli led Global Issuer Services, Global Custody and related Investor Services, Consumer Banking and Global Marketing and Sales. He was also Sector Head of Global Issuer Services and Senior Executive Vice President, responsible for Consumer Banking at the Bank of New York. Prior to joining The Bank of New York, Mr. Velli was head of Citibank's Depository Receipt business. He currently serves on the board of Paychex, Inc. Mr. Velli holds an M.B.A. in Finance from Fairleigh Dickinson University and a B.A. in accounting from William Paterson University of New Jersey. Mr. Velli is a member of the E*TRADE Bank board, the Governance Committee and the Compensation Committee.

Donna L. Weaver has been a director of the Company since April 2003. Ms. Weaver is Chairman of MxSecure, Inc., a provider of internet-based transcription, electronic health record and speech recognition services and software to medical practices nationwide. A Certified Management Accountant, Ms. Weaver received a Bachelor of Science from the University of Arizona in Economics and Finance and a Master of Science in Management from the Stanford Graduate School of Business. Ms. Weaver has served on the boards of several public and private companies during her career. Ms. Weaver is a member of the E*TRADE Bank board, a member and Chair of the Governance Committee and a member of the Risk Oversight Committee and the Audit Committee.

Stephen H. Willard has been a director of the Company since April 2005. He is the Chairman of the Board of Directors of Flamel Technologies, S.A., a NASDAQ-traded biotech company. Previously, he served as CFO, and then CEO, of that company. Mr. Willard is an expert in bank regulatory matters and previously served as Associate Director of Resolutions of the Federal Deposit Insurance Corporation (FDIC), where he was responsible for management and resolution of troubled banks with assets in excess of \$1 billion. He also worked

as an investment banker and as an attorney in private practice. From June 2000 until joining the Company's board, Mr. Willard served as an independent member of the board of directors of ETB Holdings, Inc. and E*TRADE Bank and is currently a member of the E*TRADE Bank board. Mr. Willard received a Bachelor of Arts degree from Williams College and a Juris Doctorate from Yale Law School. He is a member of the Audit Committee where he is designated an audit committee financial expert, the Risk Oversight Committee and the Governance Committee.

The Board of Directors recommends that stockholders vote FOR the election of each of the nominees as directors listed above.

BOARD MEETINGS AND COMMITTEES

The Board held a total of 15 meetings during 2012. Each current director attended at least 75% of the aggregate of the total number of meetings of (i) the Board and (ii) the committees of the Board on which he or she served. Our non-management directors meet in executive session without management at least quarterly. The Chairman of the Board, or our Lead Independent Director during Mr. Petrilli's tenure as Chairman and Interim CEO, led these meetings during 2012. Communications to the Board, the Chairman of the Board, the non-management directors or any other director may be sent to: E*TRADE Financial Corporation, at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302, Attention: Corporate Secretary. At the time of the 2012 Annual Meeting of Stockholders, we did not have a formal policy regarding director attendance at our annual stockholder meetings, and ten of the eleven then-current directors attended the 2012 Annual Meeting of Stockholders.

During 2012, the Board had an Audit Committee, a Compensation Committee, a Governance Committee and a Risk Oversight Committee. Each member of the Audit Committee, Compensation Committee and Governance Committee met the independence requirements of the NASDAQ Global Select Market (NASDAQ) and all members of the Risk Oversight Committee met these independence requirements, with the exception of Mr. Freiberg. The charters of each of these committees, as well as our Code of Professional Conduct, Corporate Governance Guidelines and Related Party Transactions and Procedures Policy, are available on our website at investor.etrade.com in the Corporate Governance section. You may also request a copy of each of these documents free of charge by writing to E*TRADE Financial Corporation, at 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302, Attention: Corporate Secretary. We intend to post on our website referred to above any amendments to or waivers from our Code of Professional Conduct or Related Party Transactions and Procedures Policy that apply to our executive officers, including our principal executive officer, principal financial officer and principal accounting officer. The information on our website is not a part of this Proxy Statement. The committees of the Board, their members during 2012, their primary responsibilities and the number of times the committees met during 2012 are described below.

Committee (1)	Members During 2012	Primary Responsibilities	Number of Meetings
Audit Committee (2)	Joseph Sclafani, (Chair) Frederick Kanner James Lam (3) Rodger Lawson (4) Michael Parks (5) Donna Weaver Stephen Willard	Reviews the Company's financial reporting processes. This Committee also reviews the results of the Company's internal audits and meets with the Company's independent accountants to review the Company's internal controls regarding finance and accounting.	15 meetings
Compensation Committee	Ronald Fisher, (Chair) Frederick Kanner Rodger Lawson (4) Lewis Randall (6) Rebecca Saeger (7) Joseph Velli	Recommends to the Board the compensation arrangements for the Company's senior executives and oversees administration of our benefit plans, including our equity incentive plans. This Committee also reviews the performance of the CEO and the members of the Company's senior management team at least annually. As discussed in the Compensation Discussion and Analysis, this Committee retains an outside consultant.	8 meetings

Committee (1)	Members During 2012	Primary Responsibilities	Number of Meetings
Governance Committee	Donna Weaver, (Chair) Frederick Kanner Michael Parks (5) Lewis Randall (6) Rebecca Saeger (7) Joseph Velli (8) Stephen Willard	Oversees the Board's and its committees' governance practices. This Committee also leads any search for new Board members; recommends committee assignments and develops, recommends and oversees compliance with the Company's Corporate Governance Guidelines and the Company's Code of Professional Conduct. The Committee also leads the Board's succession planning activities.	12 meetings
Risk Oversight Committee	James Lam (Chair) (3) Steven Freiberg (9) Kenneth Griffin Rodger Lawson (4) Michael Parks (5) Joseph Sclafani Donna Weaver (10) Stephen Willard (11)	Assists the Board and the Company's senior management in overseeing the effective financial management of the Company and its subsidiaries; identifies, assesses and manages the Company's risk; defines the risk profile of the Company; manages the financial risk and return for the Company; supervises compliance with legal and regulatory requirements; and evaluates the Company's strategic planning, including reviewing material strategic transactions and potential material investments by the Company in, or in the Company by, third parties.	14 meetings

- (1) Our Chairman of the Board is invited to attend each Committee meeting in an *ex officio* role. Mr. Lawson, in his capacity as Lead Independent Director from August 9, 2012 to January 2013, was invited to attend each committee meeting in which he was not already a member of in an *ex officio* role.
- (2) The Board has determined that each of Messrs. Sclafani and Willard is an audit committee financial expert within the meaning of applicable regulations under the Exchange Act of 1934 (Exchange Act). No member of the Audit Committee serves on the audit committee of more than one other public company.
- (3) Mr. Lam joined the Board effective November 14, 2012. He became a member of the Audit Committee and a member and Chair of the Risk Oversight Committee effective November 14, 2012.
- (4) Mr. Lawson joined the Board effective February 10, 2012. He was a member of the Audit Committee and Risk Oversight Committee from May 10, 2012 until December 6, 2012. Mr. Lawson became a member of the Compensation Committee effective December 6, 2012.
- (5) Mr. Parks retired from the Board effective May 10, 2012. He was member of the Audit Committee, Governance Committee and a member and Chair of the Risk Oversight Committee until May 9, 2012.

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- (6) Mr. Randall retired from the Board effective February 10, 2012. Mr. Randall was a member of the Governance Committee and the Compensation Committee until February 9, 2012.
- (7) Ms. Saeger joined the Board effective February 10, 2012. She became a member of the Compensation Committee and the Governance Committee effective May 10, 2012.
- (8) Mr. Velli became a member of the Governance Committee effective May 10, 2012.
- (9) Mr. Freiberg was a member of the Board until August 8, 2012. Mr. Freiberg was a member of the Risk Oversight Committee until May 10, 2012.
- (10) Ms. Weaver became a member of the Risk Oversight Committee effective May 10, 2012.
- (11) Mr. Willard was the Chair of the Risk Oversight Committee from May 10, 2012 until November 14, 2012.

Risk Management

The Board plays an active role, as a whole and also at the committee level, in overseeing the management of the Company's risks. The Board regularly reviews reports from members of senior management and committees on areas of material risk to the Company, including credit, interest rate, liquidity, market, operational, strategic, reputational, legal and regulatory risks. In particular, the Risk Oversight Committee assists the Board and senior management, including the Company's Chief Risk Officer, the Company's General Counsel and the Company's Chief Compliance Officer, in the effective identification, assessment and management of the Company's risks and in working to improve the financial risk and return of the Company. The Risk Oversight Committee reviews financial matters including capital expenditures, asset and liability management and cash management policies, funding and liquidity requirements, capital structure and financing, regulatory capital and ratios, dividend policy; the Company's risk appetite statement; the Company's policies and procedures for managing operational risk, credit risk, market risk, interest rate risk, investment risk and liquidity risk; and the Company's policies governing mergers and acquisitions, principal investments, dispositions of assets and compliance with legal and regulatory requirements. The Compensation Committee assists the Board in evaluating risks arising from Company executive and non-executive compensation programs as well as succession planning for our executive officers. The Governance Committee assists the Board in overseeing risks associated with board organization, membership and structure, succession planning for our directors, and corporate governance. The Audit Committee assists the Board in overseeing risks associated with financial reporting and internal controls.

Director Independence

The Board has adopted categorical standards to assist in its evaluation of the independence of directors. The categorical standards describe various types of relationships that could exist between a Board member and the Company and sets thresholds at which such relationships would be deemed to be material in the determination of a director's independence. Although any director who meets the independence criteria of NASDAQ and the Board's own categorical standards (as well as Rule 10A-3(b) of the Exchange Act in the case of Audit Committee members) will be presumed to be independent, the Board may make a decision to the contrary based on its review of any other relevant factors. The Board's categorical standards are as follows:

1. A director who serves as an executive officer or employee of, or beneficially owns more than a 10% equity interest in, any corporation, partnership or other business entity that during the most recently completed fiscal year made payments to the Company or received payments from the Company for goods and services is still presumed independent if such payments were less than the greater of 5% of such other entity's gross consolidated revenues for such fiscal year and \$200,000.
2. A director who serves as an executive officer or employee of, or beneficially owns more than a 10% equity interest in, any bank, corporation, partnership or other business entity to which the Company was indebted at the end of its most recently completed fiscal year is still presumed independent if the indebtedness is in an amount less than the greater of 5% of such other entity's total consolidated assets at the end of such fiscal year and \$200,000.
3. A director who is a member or employee of a law firm that has provided services to the Company during the most recently completed fiscal year is still presumed independent if the total billings for such services were less than the greater of 5% of the law firm's gross revenues for such fiscal year and \$200,000.
4. A director who is a partner, executive officer or employee of any investment banking firm that has performed services for the Company (other than as a participating underwriter in a syndicate) during the most recently completed fiscal year is still presumed independent if the total compensation received for such services was less than the greater of 5% of the investment banking firm's consolidated gross revenues for such fiscal year and \$200,000.

After a review of all relevant factors and applying these categorical standards and the independence criteria of NASDAQ, the Board has determined that during 2012:

Messrs. Fisher, Griffin, Kanner, Lam, Lawson, Parks and Randall, Ms. Saeger, Messrs. Sclafani and Velli, Ms. Weaver and Mr. Willard were each independent.

Mr. Petrilli was independent prior to his term of employment as Interim CEO.

Mr. Freiberg was not independent.

In determining that Mr. Velli was independent, the Governance Committee considered a contract for clearing and transfer agent services entered into in 2010 between a subsidiary of the Company and a subsidiary of ConvergEx where Mr. Velli is the CEO. The subsidiary of the Company conducted a competitive process, without any involvement by Mr. Velli and ultimately chose ConvergEx to provide the services because the terms and price were substantially better than those offered by other providers. Based upon information received from ConvergEx, these payments to ConvergEx during 2012 represented less than 1% of ConvergEx's consolidated revenues for the year.

In determining that Mr. Griffin was independent, the Governance Committee considered Mr. Griffin's affiliation with Citadel, the Company's largest shareholder until mid-March 2013, and the fact that entities controlled by Citadel pay the Company for order flow pursuant to at-will arrangements at negotiated rates that are subject to change at any time. During 2012, these payments represented less than 0.5% of the Company's consolidated total net revenue for the year.

The Board has also determined that each member of the Company's Audit Committee, Compensation Committee and Governance Committee is independent.

Identifying and Evaluating Director Nominees

The Governance Committee uses various methods to identify director nominees. The Governance Committee regularly assesses the appropriate size and composition of the Board and the particular needs of the Board, considering skill sets required and whether any vacancies are expected due to retirement or otherwise. Candidates may come to the attention of the Governance Committee through current Board members, professional search firms, stockholders or other parties. While there is no diversity policy or fixed set of qualifications that must be satisfied before a candidate will be considered, we seek nominees with a broad diversity of experience, professions, skills, geographic representation and backgrounds. All candidates are then evaluated based on a review of the individual's qualifications, skills, independence and expertise, including the criteria included in our Corporate Governance Guidelines and the Board's desire to draw on diverse perspectives and expertise in conducting its work.

Under our Bylaws, there shall not be less than six nor more than twelve directors concurrently serving on the Board. The Board will reduce its size to nine directors upon the election of directors at the annual meeting. Our Bylaws permit the Board to increase its size within the authorized range and add new directors between stockholder meetings. Any director elected by the Board in accordance with the preceding sentence shall hold office for a term expiring at the next annual meeting.

Submission of Director Nominees to the Governance Committee by Stockholders

The Governance Committee will consider director candidates submitted by any stockholder who has continuously held at least 5% of our voting securities (either directly or as part of a group) for at least one year and is not a competitor of the Company. Such recommendations must be mailed to: 1271 Avenue of the Americas, 14th Floor, New York, New York 10020-1302, Attention: Corporate Secretary. Such recommendations should be accompanied by (i) evidence of the stockholder's stock ownership over the previous

twelve months; (ii) a statement that the stockholder is not a competitor of the Company; (iii) a resume and contact information for the director candidate, as well as a description of the candidate's qualifications; and (iv) a statement whether the candidate has expressed interest in serving as a director. The Governance Committee follows the same process and uses the same criteria for evaluating candidates proposed by stockholders as it does for candidates proposed by other parties. The Governance Committee will consider such candidacy and will advise the recommending stockholder of its final decision. Any nominee for the Board, at the request of the Board, must submit a statement that, if elected, the nominee intends to comply with the Company's majority voting policy, described below.

Board Leadership

The Board believes that separating the functions of Chairman and Chief Executive Officer generally strengthens the Board's independence from management. However, whenever the Chairman and CEO are the same person, the Board is expected to elect an independent, non-management director who coordinates the activities of the other non-management directors (Lead Director). For example, Mr. Petrilli was Non-Executive Chairman of the Board from January 2012 until August 2012, when he became Chairman and Interim CEO. The Board believed it was appropriate for Mr. Petrilli to serve in both positions during the search for a permanent CEO, but during such time, Mr. Lawson served as Lead Director. The responsibilities of the Lead Director include providing a communication channel to and among the non-management directors, serving as the principal liaison on Board-wide issues between the independent directors and the Chairman, and presiding at all Board meetings at which the Chairman of the Board is not present including executive sessions of the Board.

Majority Voting Policy

Our Bylaws and Corporate Governance Guidelines provide that the voting standard for the election of directors in uncontested elections is a majority voting standard. Under our majority voting policy, in an uncontested election, each nominee shall be elected to the Board by the majority of the votes cast with respect to the director's election (that is, the number of votes for a director's election must exceed 50% of the votes cast with respect to that director's election). Directors will continue to be elected by plurality vote in contested elections (that is, when the number of nominees for election exceeds the number of directors to be elected). Whether an election is contested or not is determined on the last day by which stockholders may submit notice to nominate a person for election as a director pursuant to the Company's Amended and Restated Certificate of Incorporation.

If a nominee who is serving as a director is not elected at the annual meeting, Delaware law provides that the director would continue to serve on the Board as a holdover director. However, under our Bylaws and Corporate Governance Guidelines, each director must submit in advance an irrevocable, contingent resignation to the Chair of the Governance Committee that the Board may accept if the director fails to be elected by the majority of the votes cast with respect to the director's election. In that situation, the Governance Committee will act on an expedited basis to determine whether to accept the director's resignation, and submit its recommendation to the Board. The Board will act on the Governance Committee's recommendation and publicly disclose its decision and the rationale behind its decision within 90 days following certification of the stockholder vote. The Governance Committee in making its recommendation, and the Board in making its decision, may each consider any factors or other information that it considers appropriate and relevant.

The Board expects that any director whose resignation becomes effective pursuant to this policy will excuse himself or herself from participating in the consideration of his or her resignation by either the Governance Committee or the Board. If an incumbent director's resignation is not accepted, he or she will continue to serve until the next annual meeting and until his or her successor is duly elected, or until his or her earlier removal. In 2012, all nominees currently serve on the Board.

DIRECTOR COMPENSATION

Cash Compensation. The Director Compensation policy for cash fees for non-employee directors in 2012 was as follows:

Annual Board Retainer for All Board Members	\$ 50,000
Additional Annual Retainer for Each Committee Chairperson	\$ 10,000
Additional Annualized Retainer for Service as Non-Executive Chairman of the Board or Lead Director	\$ 50,000
Each Board Meeting Attended or Action by Written Consent	\$ 2,500
Each Committee Meeting Attended or Action by Written Consent as Committee Chairperson	\$ 2,500
Each Committee Meeting Attended as Non-Executive Chairman or Lead Director (1)	\$ 2,500
Each Committee Meeting Attended or Action by Written Consent as Committee Member	\$ 2,000

- (1) In addition to membership on any particular Committee, Mr. Lawson, as Lead Director as of August 9, 2012, and Mr. Petrilli, in his capacity as Non-Executive Chairman until he became Chairman on August 9, 2012, were invited to attend all meetings of the Board's Committees in an *ex officio* capacity, and each received compensation for each Committee meeting attended in such capacities. All non-employee directors receive reimbursement for reasonable out-of-pocket expenses incurred in connection with meetings of the Board and its committees. Non-employee directors do not participate in any other benefit plan (including pension or deferred compensation plan) or receive perquisites.

Equity Compensation. In 2012, each then non-employee director, other than Mr. Griffin, received the following grant of a restricted stock award on the date of our annual meeting:

A grant of restricted stock with a fair market value on the date of grant (measured as the average of the high and low of the price of the Common Stock on that date) equal to \$50,000, which resulted in the grant of 5,154 restricted shares to each individual.

Each restricted stock award vests one year from the date of issuance, subject to immediate vesting upon (i) certain changes in the ownership or control of the Company or (ii) the death of the director while serving as a Board member. Generally, non-employee directors receive initial grants when they join the Board (generally a prorated portion of the annual grant) and then annual grants at the time of the annual meeting. The Governance Committee regularly reviews our non-employee director compensation policy.

2012 Director Compensation Table

The table below does not include Mr. Freiberg, who did not receive separate compensation for his service on the Board of Directors, or Mr. Petrilli, whose non-employee director compensation received prior to his appointment as Interim CEO is included in the Summary Compensation Table together with his Interim CEO compensation.

Name	Fees		Total (\$ (4)
	Earned or Paid in	Stock Awards	
	Cash (\$)	(\$ (1) (2) (3)	
Ronald D. Fisher	97,500	50,000	147,500
Kenneth C. Griffin	93,500		93,500
Frederick W. Kanner	141,500	50,000	191,500
James Lam		25,000	25,000
Rodger A. Lawson	107,000	62,500	169,500
Michael A. Parks	70,500		70,500
Lewis E. Randall			