

September 19, 2012

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention:

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3
Email: consultation-en-cours@lautorite.gc.ca

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 19, Box 55
Toronto, Ontario M5H 3S8
Email: jstevenson@osc.gov.on.ca

Dear Sirs/Madams:

Re: Potential Regulation of Proxy Advisory Firms

Introduction

The Canadian Bankers Association (**CBA**) works on behalf of 54 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 274,000 employees. The CBA advocates for effective public policies that contribute to a sound, successful banking system

that benefits Canadians and Canada's economy. The CBA also promotes financial literacy to help Canadians make informed financial decisions and works with banks and law enforcement to help protect customers against financial crime and promote fraud awareness.

General Remarks

We appreciate the opportunity to participate in the consultation by the Canadian Securities Administrators (**CSA**) regarding the potential regulation of proxy advisory firms, as outlined in the Consultation Paper 25-401: *Potential Regulation of Proxy Advisory Firms (Consultation Paper)*. Our general view is that a securities regulatory response is warranted, and some form of regulation of proxy advisory firms in Canada would be appropriate. We have outlined below for your consideration our views on areas where such regulation would be particularly useful.

Potential Conflicts of Interest

As noted in the Consultation Paper, the potential conflicts of interest of proxy advisory firms may compromise the independence of a voting recommendation or create a perception that the recommendation is compromised. We therefore believe that a securities regulatory response is justified. We agree that proxy advisory firms should be required to develop and implement conflicts of interest policies and procedures to manage potential conflicts of interest, and that these should be disclosed. While some proxy advisory firms may already have such systems in place, a general requirement would ensure that appropriate mechanisms are in place across the board to identify and manage potential conflicts of interests if and when they arise in a proxy advisory firm setting.

Potential Inaccuracies and Issuer Engagement

We share the concern expressed in the Consultation Paper regarding potential inaccuracies in underlying data used by proxy advisors to arrive at voting recommendations. Recommendations based on inaccurate data could lead to misinformed decision-making by institutional investors. For that reason, we believe that a securities regulatory response in this area is appropriate. We support a requirement to require proxy advisors to have a policy to deal with issuers' comments on voting recommendations and the underlying analysis. The policy would specify the process for issuer engagement and require that proxy advisors publicly disclose the process. We also believe that the terms of the process by which firms should engage with issuers should be prescribed, in particular by setting adequate timelines for review of preliminary reports (including the underlying data), and by requiring proxy advisors to share the final reports with issuers free of charge.

In addition, we believe that issuer engagement in general would benefit from the requirement for proxy advisors to engage in a meaningful consultation with issuers not only on preliminary reports on voting recommendations, but also on such firms' policies, procedures and guidelines. We understand that some firms already engage in such consultations. However, consistency of approach, including standard comment periods, would be preferable.

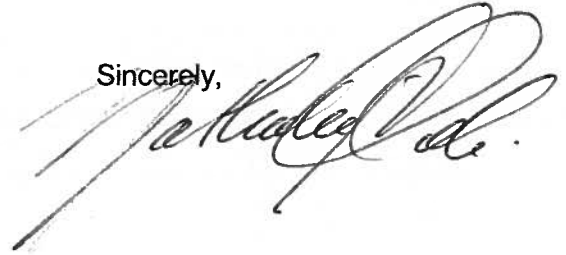
Transparency

Finally, we agree that market could benefit from improved transparency regarding the recommendations of proxy advisors. We acknowledge the need to consider the appropriateness of mandated disclosure if the information is confidential, proprietary or cannot be disclosed for valid business purposes. However, disclosure of the analysis concerning a voting recommendation would be very useful, as it would provide investors with the opportunity to review and assess the basis for the recommendation. We would also support enhanced

transparency in respect of the procedures and standards used by proxy advisors in developing corporate governance standards. Public disclosure of the procedures and standards may have a positive effect on market participants' confidence in the standard-setting function of the proxy advisors.

Thank you for the opportunity to participate in the consultation regarding the potential regulation of proxy advisory firms. We would be pleased to answer any questions you may have regarding our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard P. ...", written in a cursive style.