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Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Legal Registries Division, Department of Justice, Government of Nunavut

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Dear Sir/Mesdames,

Re: Proposed Form 51-102F6 Statement of Executive Compensation

The Canadian Bankers Association ("CBA") submits this letter to the Canadian Securities Administrators (the "CSA") in response to the request for comments relating to the proposed repeal and substitution of Form 51-102F6 Statement of Executive Compensation, issued on March 29, 2007 (the "Proposed Rules").

The CBA appreciates this opportunity to provide comments on the Proposed Rules regarding the disclosure of information about the compensation of executive officers and directors. The CBA supports the CSA's objectives in undertaking this initiative to improve the quality and transparency of executive compensation disclosure at this time, and the CBA shares the CSA's view that enhanced executive compensation disclosure is vital to shareholders understanding how executives are compensated. Further, in line with the CSA's objectives regarding executive compensation disclosure, Canada's major banks have historically been at the forefront of providing innovative, clear and meaningful executive compensation disclosure to shareholders. It is the CBA's view that such past disclosure practices reflect current Canadian best practices and have been favourably viewed as such by various organizations, including the Canadian Coalition for Good Governance. While the CBA has specific concerns about aspects of the Proposed Rules, this does not detract from the CBA members' past and continued commitment to transparent and meaningful executive compensation disclosure.

Our detailed responses to the request for comments are set out in the attachment to this comment letter. While we support the CSA's goal of providing meaningful disclosure on executive compensation matters, we have five overarching concerns and recommended solutions about certain measures adopted in the Proposed Rules, as noted in our appended responses. These general concerns relate to the following:

1. **The proposal to base the dollar value of all equity compensation awards on the accounting expense approach**

We believe that the standard or generally accepted compensation valuation methodology used in determining stock and option awards on the grant date will provide more meaningful and consistent disclosure than that based on the accounting costs as determined in accordance with section 3870 of the CICA Handbook. The compensation valuation was the method of determining the value of equity compensation awards that was used by the major Banks and other large issuers in the voluntary, supplemental disclosure provided in the most recent proxies. Two examples of this disclosure are included as Tables 1 and 2 in the response to Question #11.

The Compensation Discussion and Analysis ("CD&A") and the Summary Compensation Table ("SCT") should reflect the factors and process relied upon by the board of directors or its compensation committee in determining appropriate compensation packages in respect of individual executive officers' performance over the past year. As noted in response to Question #10, the proposal will result in less transparent disclosure, reduce the comparability of compensation between Named Executive Officers ("NEOs") within and across organizations and could inappropriately distort the determination of NEOs. The use of accounting costs does not align with the discussion of the annual compensation decision making process that will be described in the CD&A section, and does not provide meaningful information to shareholders seeking to understand equity award grants in an issuer's proxy disclosure. As demonstrated in the examples attached, the accounting costs for the year can vary significantly depending on a number of factors unrelated to the annual "pay for performance" decision for an NEO such as how the underlying equity plan is structured, the NEO's age and proximity to retirement, and the size of prior year equity grants that may be amortized and expensed in the fiscal year.

2. **The proposed timeline for implementation of the Proposed Rules is not optimal in light of the U.S. experience**

The CBA notes the timely release of the Proposed Rules, in light of the executive compensation disclosure rules recently adopted by the US Securities and Exchange Commission (the "SEC") and the SEC's current review of such rules and registrants' resulting disclosure practices. While we appreciate the CSA's careful consideration of the SEC's executive compensation rules in drafting the Proposed Rules, and its goal to achieve alignment between the rules where possible, we note that the SEC is presently reviewing the use of accounting costs in the valuation of equity awards in registrants' proxy disclosures, among other issues, in light of the complexity evident in registrants' 2007 proxy disclosures. In addition to the reasons noted above and in response to Question #10, we believe it would be imprudent for the CSA to proceed with the use of accounting costs and to harmonize this requirement with the SEC at this time, as its usage has raised several problematic issues in registrants' disclosure in the United States. Accordingly, we encourage the CSA to instead adopt a methodology that would avoid some of these similar issues, if the CSA decides to proceed with its current timeline for implementation. Alternatively, if the CSA wishes to proceed with the use of accounting costs, then we respectfully request that the CSA wait for the completion of the SEC's review of the 2007 proxy statements so that the CSA can draw on the SEC's experience and/or any guidance and changes that it may issue following the completion of its review.

3. **The proposal to report actuarial changes to pension plan values in the SCT**

We support disclosure which sets out the total value of all compensation awarded to NEOs, including the compensatory value of pension benefits. However, including the change in actuarial value (rather than the service cost) in the SCT does not provide useful information for readers. Actuarial values of benefits earned under pension plans can fluctuate significantly over time as the value is affected by various factors that are unrelated to compensation decisions made by the issuer's compensation committee, including employee contributions and actuarial assumption changes. Instead, the inclusion of the service cost of a NEO's pension plan in the SCT would provide more useful disclosure on compensation awards and allow for more meaningful comparisons between compensation disclosures provided by different issuers. As shown in Tables 1, 2 and 3 in response to Question #11, the major Banks have previously voluntarily disclosed the annual service cost associated with pension benefits.

4. **The Proposed Rules appear to require speculation and discussion of various hypothetical scenarios**

The Proposed Rules call for CD&A discussion of "what compensation could have been under different performance scenarios." CD&A discussion of principles and factors relevant to compensation determinations is appropriate. It is also appropriate to indicate in the disclosure the range of possible payouts under performance-based awards granted and as established in their terms. However, we respectfully suggest that references to alternate hypothetical compensation will be confusing for issuers and for readers. The objective of clear disclosure is best met by reporting the actual compensation awarded and the rationale for those decisions rather than speculating on what might have happened had the actual performance been different.

The Proposed Rules also call for disclosure on various estimated payments and benefits to NEOs in various termination scenarios. We believe that the proposed scope of disclosure regarding estimates of total potential payments in various termination scenarios is too speculative and will be of little practical use. While we support disclosure of the types of payments that may arise as a consequence of a NEO's termination of employment, we note that any estimate provided would be purely hypothetical as such amounts would be unique to the particular facts, circumstances and negotiations surrounding the NEO's departure, and therefore of little value to readers, especially if the termination event were to occur and the actual payment or benefit amounts were different. As discussed further in response to Question #20, the provision of hypothetical information on various termination scenarios will not increase transparency about compensation decisions and awards, and will only serve to confuse readers as to how payments may be made in any termination scenario.

5. Application of Form 51-102F6 to Asset Backed Securities Issuers

In addition, we note your intention to add a provision to Part 11 of National Instrument 51-102 to ensure that all reporting issuers provide executive compensation disclosure at least once a year. Several Canadian banks have asset backed securities issuers which are venture issuers. The disclosure requirements represented by Form 51-102F6 should not apply to these venture issuers because they are administered by their respective banks and have no officers or directors who are paid by the venture issuers. We respectfully request that the proposed new paragraph 11.6 of National Instrument 51-102 be clarified to ensure that such venture issuers are not subject to this disclosure requirement.

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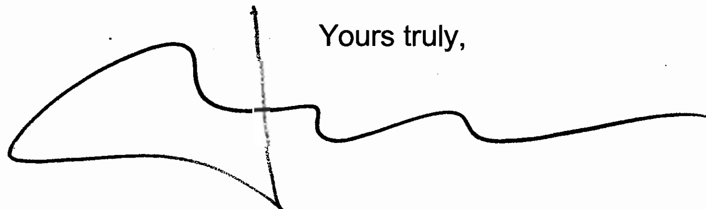
As a further observation, we note that the CSA has published its intention for issuers to comply with the new executive compensation disclosure requirements for financial years ending on or after December 31, 2007. We respectfully request that the CSA keep issuers informed of its plans regarding its timeline for republishing the Proposed Rules and their implementation. We note that the CSA has provided similar notice in the past with respect to other initiatives (e.g. CSA Staff Notice 52-317 issued on February 9, 2007). Such communications will help all issuers prepare for the upcoming proxy season with a forward-looking view and promote greater transparency in executive compensation disclosure and the possibility for greater comparability in disclosure across issuers and industries.

Thank you for this opportunity to express our views on the Proposed Rules. We would be pleased to answer any questions that you may have about our comments.

Yours truly,



Note to Readers:

In the discussion of executive compensation disclosure of equity compensation awards, the CSA uses the term "compensation cost" to indicate the amount recorded in the issuer's financial statements based on Canadian Generally Accepted Accounting Principles (GAAP), based on section 3870 of the CICA Handbook. In this response, we refer to the values determined in accordance with Canadian GAAP as the "**Accounting Costs**", the "**Accounting Grant Date Fair Value**" or **accounting expense**.

Our purpose is to distinguish the amounts determined based on GAAP from the "**compensation value**" that is used in the awards decision-making process of the compensation committee of the issuer. We refer to the compensation-based valuation approach as the "standard or generally accepted" compensation valuation methodology and the amounts arrived at by that methodology as the "**Grant Date Compensation Fair Value**".

Question 1 – Will the proposed executive compensation form clearly capture all forms of compensation? Have we achieved our objective in drafting a document that will capture disclosure of compensation practices as they change over time?

We appreciate that the overall objective of your proposed disclosure requirements is to improve clarity and quality for the presentation of executive compensation information in a meaningful way. We do, though, have concerns that some of the changes to the Form as currently proposed may undermine your objective.

As outlined in the attached cover letter and as addressed in greater detail in our responses to the applicable questions and the accompanying Appendix, some of our key concerns relate to:

1. The Summary Compensation Table ("SCT"), in particular:

- The proposal to base the dollar value of all equity compensation awards on the accounting expense --- Reporting the accounting value in accordance with the CICA Handbook, instead of reporting the compensation value used in the determination of equity awards, will result in a misalignment of values and timing that will make it difficult for readers to see the link between current year performance and the compensation awarded.

- The proposal to report the change in actuarial value in benefits earned under a defined benefit pension plan rather than the service cost.

- Some definitions and disclosure instructions respecting placement of types of compensation in various columns of the SCT are unclear --- See responses to Questions 8 and 9.

We believe that the overall result will be compensation values (by element and in total) that are inconsistent with the manner in which compensation decisions are typically made by compensation committees and will not assist the shareholder who wishes to

evaluate executive pay from the perspective of "what did the committee or Board decide to award the executive for a given year?"

To highlight more graphically how the proposed accounting expense approach would undermine the objective of meaningful compensation disclosure, Appendix A provides a series of illustrative examples based on the main forms of equity based long-term incentives.

2. The proposal relating to the quantification of potential termination payments for each NEO

- As outlined in our responses to Questions 19 and 20, we believe the proposed disclosure will be hypothetical, may be subject to extensive assumptions and variables, and will be of little use to readers in making "cross company" comparisons.

Question 2 – Do you agree with our proposal not to substantially change the criteria for determining the top five named executive officers? Should it be based on total compensation or some other measure, such as those with the greatest policy influence or decision-making power at the organization?

In addition to providing disclosure for the CEO and CFO, we support continuing to use compensation as the basis for determining the additional three named executive officers ("NEOs"). However, we do not support using Total Compensation as defined for purposes of the SCT in the proposals.

The proposed approach appropriately excludes pension values. However, we believe that the following should also not affect the determination of the NEOs:

- Unusual one-time compensation awards or payments (e.g., special promotional stock option or restricted stock grant with different vesting rules, signing bonus, termination payments, etc);
- Variability in accounting expense as demonstrated in Appendix A and accelerated accounting expense on equity awards of retirement-eligible NEOs; and
- Dividend equivalents earned on accumulated stock-related awards.

Should these items affect the determination of NEOs, the likely result would be more frequent year over year changes in the disclosed group than under the current "salary plus bonus" criterion, which would not assist readers in tracking changes in incumbent compensation.

We therefore support either continuing to use the current criteria, or a total compensation value that is limited to salary, annual bonus/incentive and the compensation value of long-term incentives (stock options, restricted stock units, etc.) awarded through the process which determines annual compensation and bonus in respect of the covered fiscal year.

Question 3 – Should information be provided for up to five people individually, or should the information be provided separately for the CEO and CFO, then on an aggregate basis for the remaining three named executive officers?

Information should be provided for up to five people individually. Aggregating the information for the remaining three NEOs would not provide meaningful information for the reader as the link between individual pay and performance would be obscured by such aggregation. Further, not all areas of an issuer's business necessarily have the same performance, nor do individuals, and by aggregating the compensation these distinctions would be blurred.

Question 4 – Will the proposed CD&A requirement elicit a meaningful discussion of a company's compensation policies and decisions?

The proposed requirement will only be meaningful if the CD&A discussion of the annual total compensation decision-making process aligns with the disclosure of the compensation awards made and disclosed for the most recent year (i.e. by use of compensation values rather than Accounting Costs in the SCT) and therefore helps readers understand the link between pay and performance. If the proposal for disclosure based on Accounting Costs is retained, issuers will have to also disclose the compensation value of the equity awards in order to produce a meaningful discussion of the compensation decisions made (as has been done by some US issuers). These different values will cause confusion among readers. Refer to the examples in Appendix A.

Section (i) of the commentary to the CD&A requirement (Item 2 of proposed Form 51-102F6) states: "Disclosure that merely describes compensation already awarded, earned or paid is not adequate. The information contained in this section should give readers a sense of how compensation levels for the period might have been different, as well as expected compensation levels for future periods, under various performance scenarios." There is not sufficient guidance in the proposed form in order to be able to satisfy this requirement. It is difficult and speculative to try to forecast future compensation levels, especially given that the NEOs may change from year to year. The CD&A requirements should focus on how actual compensation was determined for the most recently completed year.

Question 5 – Should we require companies to provide specific information on performance targets?

We do not support the disclosure of all of the performance targets due to the concern of revealing competitive information, even "after the fact". In addition, we do not support the disclosure of performance targets used to evaluate the individual performance of each individual NEO.

Section 2.1.3 of Proposed Form 51-102F requires disclosure of target levels for performance-related factors for NEOs. We appreciate that the CSA is attempting to address issuers' concerns about the disclosure of confidential and strategic information. However, the direction to state "what percentage of an executive officer's total

compensation relates to these undisclosed targets" is unworkable. In practice, performance against the various factors is typically considered in compensation decisions, but there is rarely a precise, formulaic approach taken. This reflects the fact that compensation decisions involve the application of informed judgment, provided by non-executive directors, often acting with the advice of external consultants.

Question 6 - Will moving the performance graph to the CD&A and requiring an analysis of the link between performance of the company's stock and executive compensation provide meaningful disclosure?

We appreciate the importance of aligning pay and performance, but would point out that a company's recent stock price performance is only one measure and is affected by factors that are unrelated to a company's overall performance.

We have some concern that, by mandating this focus on the relationship between executive compensation and the stock price, undue importance may be placed on this specific metric, rather than the full picture of factors relevant to compensation decisions. As well, by singling out recent stock performance as a metric that must be discussed, an unintended consequence may be for compensation decisions to be geared toward short term stock performance. This narrow focus may not be in the best interests of the company or its shareholders.

The CD&A requirements of Form 51-102F6 require an issuer to discuss the material principles underlying its compensation policies and decisions for NEOs. To the extent that recent stock performance influences these policies and decisions, it will be necessary for an issuer to discuss this relationship in the context of the other factors that influence compensation decisions. It is this complete discussion that would provide meaningful and appropriate disclosure to readers.

Finally, we note that while the CD&A discussion is geared toward NEO compensation, the trend analysis described in the performance graph requirement appears to capture all executive officers, leading to a potential mismatch in the two discussions. As well, accumulating the data for this larger and less uniform group, rather than limited to the NEOs, for the past five years, would be burdensome. Even if the trend analysis is limited to NEOs, we note that the composition of this group will often have changed over the previous five fiscal years. If the compensation comparison is to be included, we suggest it be limited to the CEO and be based on compensation values.

Question 7 – Should the SCT continue to require companies to disclose compensation for each of the company's last three fiscal years, or is a shorter time sufficient?

While we believe that a shorter time period, such as two years, provides sufficient information for a reader to assess recent changes in compensation levels at a company, we do not object to maintaining the current three year time period. We believe that the

current three-year period highlights trends in NEO compensation at a company and directs readers to focus on compensation over time.

If greater than one year of disclosure is to be required, we strongly recommend adopting the approach taken by the SEC in providing a phase-in process whereby in the first year of the new disclosure requirements, only one year of compensation data would be provided and in the second year, two years of data would be provided, etc. This would relieve issuers of the need to recalculate and restate past year's compensation in accordance with the new requirements and prevent shareholder confusion resulting from different compensation values reported in past circulars.

Question 8 – Do you agree with the way bonuses and non-equity incentive plans will be disclosed in the SCT?

Consistent with the SEC rules, the proposed SCT has separate columns for "bonus" and "non-equity incentive" plan compensation.

We believe it will be confusing in practice to differentiate these two forms of compensation. With the exception of certain guaranteed bonuses such as hiring bonuses and purely discretionary payments, the proposal will create uncertainty as to how a specific award should be disclosed.

An annual cash incentive arrangement generally will, (i) be known in advance by eligible individuals, (ii) be based on the achievement of either quantitative and/or qualitative performance goals and (iii) provide for discretion in determining the final payout. Consequently, the award has both the characteristics of a bonus (i.e. the company's discretion in the actual payout of the awards) and of a non-equity incentive plan award (i.e. the arrangement is known in advance and includes performance goals). However, it is rarely the case that a purely formulaic approach is taken, which is implied by the wording in s. 3.1.1(iii) that non-equity incentive plan awards are "based on pre-determined performance criteria that were communicated to a NEO".

Finally, we expect shareholders will want to continue to see annual incentive compensation reported separately from longer term incentive compensation as required by the current Form. Discretionary and/or guaranteed payments could be disclosed by footnotes or in a special table.

The proposed CD&A requires a company to discuss each element of compensation and how the amount of each element is determined. This disclosure will allow users to understand the nature of each company's non-equity incentive arrangements and place the SCT disclosure in context.

Question 9 – Do you agree with the proposed disclosure of equity and non-equity awards? Are the distinctions between the types of awards and how they are presented clearly explained?

We have no concern with providing separate disclosure for non-equity incentive compensation versus equity compensation, including Stock Awards (column (e) in the SCT) and Option Awards (column (f) in the SCT). Our main concern is with the proposed requirement to use the accounting expense approach as discussed elsewhere in our document and in Appendix A.

We note that some clarification in the distinctions may be helpful. It is common to have awards that derive their value from the company's equity securities, but which will be paid in cash and not settled by share issuance. Consistent and clear choice of column placement among issuers is desirable.

The treatment of deferred share units (DSUs) should also be addressed. As discussed in Appendix A, DSUs are different than other forms of Stock Awards, such as RSUs. The disclosure treatment of DSUs awarded where the NEO voluntarily elects to defer annual bonus/incentive amounts into DSUs is unclear. We propose that the five large Banks' recent disclosure practices for voluntary DSUs be adopted as follows:

- The cash value of the annual bonus/incentive should be disclosed in the appropriate SCT column (d) or (g), with a footnote advising that the amount was deferred into DSUs.
- DSUs awarded as a result of a voluntary deferral of bonus/incentive should NOT be reported as a new Stock Award in SCT column (f) nor in the "Grants of Equity Awards" table (item 3.2 of the Form) column (b) as the compensation value of the deferred bonus/incentive will already be reported in the SCT column (d) or (g). This will prevent "double-counting" of the amount associated with the voluntary deferral.
- The outstanding number and dollar value of DSUs as of the fiscal year-end should be reported in an additional column in the "Outstanding Equity-Based Awards" table (item 4.1 of the Form) to ensure complete disclosure of the aggregate value held by each NEO that is associated with the issuer's compensation arrangements. These amounts have been disclosed by the five large Banks in prior years.

Question 10 – Is it appropriate to present stock and option awards based on the compensation cost of the awards over the service period? If no, how should these awards be valued?

We believe that the standard compensation valuation methodology used in determining the compensation value of the stock and option awards on the grant date (the "Grant Date Compensation Fair Value") will provide more meaningful and consistent disclosure than that based on the accounting cost as determined in accordance with section 3870 of the CICA Handbook (the "Accounting Cost").

While consideration of the Accounting Cost associated with equity awards is relevant in the aggregate as it affects the company's financial results, the expense recognized in the fiscal year in fact reflects compensation award decisions made in prior years, rather than only the compensation decisions made for the covered year.

Therefore, Accounting Cost to the company is out of context for purposes of the SCT and would obscure the underlying compensation decisions that were made. What is important is what is the value that was awarded to the individual in respect of the covered year. If Accounting Cost is disclosed, this will result in discussion of the link between pay and performance for the covered fiscal year only being available in the narrative, absent companies preparing an "alternative" SCT like Bank of America did in its proxy statement filed on March 19, 2007 (see copy attached in Appendix B). Adding another table to disclose alternate values will cause confusion. More meaningful disclosure would show the decision the compensation committee actually made for the covered year, which would be conveyed by the Grant Date Compensation Fair Value. We believe that using Accounting Cost is not as meaningful to shareholders , reduces comparability of SCT disclosure between NEOs at the same and different organizations, and can inappropriately distort the determination of NEOs.

Below is a detailed discussion of some of the specific concerns that we have using Accounting Cost as the basis of SCT disclosure for equity awards. Many of the concerns are derived from the recent U.S. experience with using accounting cost as determined in accordance with the Statement of Financial Accounting Standards 123R ("US Accounting Cost") for proxy statement disclosure. As discussed below and further illustrated in Appendix A, we believe that due to the prevalence of liability structures, even more issues would arise in Canada if the proposed disclosure requirements are adopted.

(a) *Prior year awards affect compensation disclosure:* Accounting Cost spreads the cost of stock and option awards over a number of years by including in current year compensation the service cost attributable to that year for new awards and awards granted in previous years. Although this reflects an estimated cost of the awards to the company from an accounting perspective, it does not reflect how compensation committees or shareholders think about compensation for a NEO in a given year. We believe that readers want to see the Grant Date Compensation Fair Value of awards granted as part of the most recent compensation planning process. The chart required by Part 3.2 of Form 51-102F6 currently requires the "Accounting Grant Date Fair Value" (as determined in accordance with Section 3870 of the CICA Handbook) which may be different, and often lower, than the compensation value used in the decision making process. The fact that Grant Date Compensation Fair Value is not used in the SCT renders the equity compensation and total compensation columns of the SCT less useful and less transparent to readers.

    In addition, we believe that using Accounting Cost reduces comparability between NEOs at the same and other organizations because the level of an executive officer's total compensation in a given year could be affected by the structure of the equity award plan (see (b) below), how long they have been with their employer and whether they have received equity awards in previous years.

(b) *Equity versus liability structures:* The accounting treatment of equity awards depends in part on whether the underlying plan is structured as an equity plan (i.e. the award is ultimately satisfied by a grant of stock issued from treasury) or as a liability plan

(i.e. the award has an option to be settled with a cash payment or is ultimately satisfied by a cash payment or with stock purchased in the open market).

For equity-structured plans, the Accounting Cost of an award is fixed at the time of the initial grant and recognized over a number of years. For liability-structured plans, the Accounting Cost of an award is also recognized over a number of years but marking to market causes the cumulative expense to fluctuate with the price of the underlying stock. As a result, the structure of a company's plan provides different SCT disclosure even when two awards are otherwise identical. For example, an option plan that provides only for the issue of shares from treasury on exercise will likely have a different Accounting Cost than an option issued with a stock appreciation right feature even though the intended compensation value to be delivered to the NEO is the same to the company. Tables 4 and 5 in Appendix A illustrate the difference between the two types of accounting.

In addition, companies with liability-structured plans may choose to hedge the liability created by the award. Counterbalancing gains, losses, revenues and expenses (including the effects of counterbalancing changes in cash flows) are recognized in net income in the same period or periods as the gross compensation expense. Companies that apply hedge accounting under CICA Handbook Section 3865 record in their financial statements changes in the value of the awards net of the effects of related hedges, thus reflecting the real cost of the compensation to the company. However, proposed Form 51-102F6 only refers to Section 3870 of the Handbook and so creates a potential disconnect between the financial statements and the Accounting Cost reflected in the SCT for companies that apply hedge accounting to their compensation expense.

(c) *Changes in share price affect compensation levels:* In Canada, while most option plans are structured as equity plans, other equity-based plans are typically structured as liability plans for accounting purposes. The Accounting Cost of an award under a liability-structured plan will be marked to market over the life of the unit with changes in the value of the stock underlying the award. Large fluctuations in the stock price can significantly change a NEO's reported total compensation from year to year even if the level of salary, bonuses, equity awards and non-equity incentives otherwise do not change, therefore undermining the transparency, usability and credibility of the SCT.

- As an example of this situation, we refer you to the Proxy Statement of Brookfield Homes Corporation ("Brookfield") filed with the SEC on March 6, 2007 (see Table #4 in response to Question #15). The SCT in the Brookfield Proxy Statement notes that the CEO had total compensation for the 2006 fiscal year of approximately negative US$2.3 million despite having earned approximately US$790,000 in salary, bonus and other compensation and being granted new stock and option awards. The negative total compensation figure occurred because the value of Brookfield common shares underlying previous stock and option awards had declined, leading to a negative compensation expense for Brookfield using US Accounting Cost. The same issue can arise under Canadian accounting rules.

- In addition, the expense associated with the notional reinvested dividend equivalents on stock awards would normally be included in the Accounting Cost associated with prior years' awards. In this case, there is the potential for double-counting if the accounting expense associated with the notional reinvested dividend equivalents is included in the stock awards Accounting Cost AND the dividend equivalents are reported in column (i) All Other Compensation in the SCT. We would like clear direction on the disclosure requirements related to reinvested dividend equivalents for all Stock Award and DSU plans.

(d) *Forfeited awards:* Where a NEO departs a company and forfeits stock and option awards, the Accounting Cost method requires the cost of these forfeited awards to be deducted from the NEO's compensation. This can also lead to negative compensation numbers, again undermining the transparency, usability and credibility of the SCT.

- As an example of this situation, we refer you to the Proxy Statement of Marshall & Ilsley Corporation ("M&I") filed with the SEC on March 13, 2007 (see copy in Appendix B). The SCT in the M&I Proxy Statement notes that the departing CFO had total compensation for the 2006 fiscal year of negative US$315,734, despite having earned over US$132,000 in salary and other compensation. The negative total compensation figure was created the by the negative "value" of forfeited stock and option awards. The same issue can arise under Canadian accounting rules.

(e) *First year of retirement eligibility:* In the first year an executive officer is eligible for retirement, the Accounting Cost method requires all unrecognized service costs related to all outstanding stock and option awards to be recognized as part of the executive officer's compensation for that year. This will typically inflate the value of an executive officer's compensation in that year making it difficult to compare current year compensation to that in previous or future years and with the compensation of other NEOs both at the same and other companies.

(f) *Awards while an executive officer is eligible for retirement:* Using Accounting Cost, the full service cost of new stock and option awards granted in the fiscal year are added to current year compensation for executive officers who are eligible to retire when they receive the awards. This raises similar issues to what is described in (e) above.

- As an example of this situation, we refer you to the Proxy Statement of United Technologies Corporation ("UTC") filed with the SEC on February 23, 2007 (see copy in Appendix B). The SCT contained in the UTC Proxy Statement notes that the CEO received 390,000 options with a US Accounting Cost of approximately US$7.2 million in the 2006 fiscal year. The President and COO received 501,500 options with a US Accounting Cost of approximately US$3.7 million in the 2006 fiscal year. Although the CEO received significantly fewer options, the US Accounting Cost attributable to them was significantly higher because the CEO was eligible for retirement while the President and COO was not. The same issue can arise under Canadian accounting rules, rendering comparisons meaningless.

- We would, however, support additional narrative disclosure as a footnote to either the SCT or the table 3.2 that indicates if an NEO is eligible for the retirement provisions of the equity award plans such that the equity awards will be fully expensed at the time of grant.

(g) *Distortions to NEO selection:* The NEOs (other than the CEO and CFO) are selected on the basis of an executive officer's total compensation as calculated in accordance with the SCT less the change in pension value. To the extent that specific accounting rules affect the Accounting Cost of an executive officer's total compensation in ways not applicable to other executive officers at the same organization (as detailed above), the Accounting Cost method can change who will be identified as a NEO.

Question 11 – Should the change in the actuarial value of defined benefit pension plans be attributed to executives as part of the SCT?

We strongly support the shareholder's right to clear disclosure of the total value of the compensation that has been awarded to Named Executive Officers (NEOs). In fact, many large Canadian issuers, including the five largest financial institutions, already provide voluntary supplemental summary compensation information that includes a total compensation value and a compensatory value for the pension plan (see tables #1 and #2). In addition, many also provide supplemental pension disclosure (see table #3).

As a result, we agree that including a column on compensatory value of pension benefits in the SCT will lead to greater transparency. However, including the change in actuarial value (rather than the service cost) in the SCT will not provide useful disclosure for readers.

The actuarial value of benefits earned under pension plans can fluctuate significantly from year to year as the value is impacted by non-compensatory elements such as an increase or decrease attributable to changes in interest rates on pension liabilities and other actuarial assumption changes, as well as employee contributions to the plan. Consequently these fluctuations in non-compensatory value may not provide the transparency shareholders need to understand decisions made by the compensation committee, and will make the disclosures more confusing for readers. However, including the compensatory value (the service cost) of the pension plan in the SCT would assist shareholders in better understanding the effect that compensation decisions have on pension benefits and allow for more meaningful comparisons between the compensation disclosures provided by different issuers. If deemed necessary, the disclosure of the change in actuarial value could be provided separately in a discussion of the value of the NEOs pension plan.

Table #1 - RBC: 3 year supplemental SCT

G.M. Nixon President and Chief Executive Officer	Year 2006 $	 2005 $	 2004 $
Annualized base salary	1,400,000	1,400,000	1,400,000
Performance-based compensation			
Annual short-term incentive	5,000,000	2,600,000	1,800,000
Performance deferred shares[1]	2,750,000	2,750,000	2,250,000
Stock options[2]	2,750,000	2,750,000	2,250,000
Total performance-based compensation	10,500,000	8,100,000	6,300,000
Total direct compensation	**11,900,000**	**9,500,000**	**7,700,000**
Perquisites	135,037	150,710	107,353
Employee savings & share ownership program	41,885	41,885	40,734
Annual pension service cost[3]	766,000	620,000	479,000
Total	**12,842,922**	**10,312,595**	**8,327,087**

(1) This item represents the portion of total direct compensation that was granted under the Performance Deferred Share Program. For the award made in December 2006, this represents 50,524 Performance Deferred Share Units at a grant price of $54.43.

(2) This item represents the portion of total direct compensation that was granted as stock option awards. For compensation purposes, the award made in December 2006 is valued using the five-year average Black Scholes value of 21% (the corresponding values for 2005 and 2004 were 26% and 29%, respectively). For the award made in December 2006, 238,140 options were granted at a strike price of $54.99 with a 10-year term.

(3) Annual pension service cost is the value of the projected pension earned for the year of service credited for the specific fiscal year. The annual pension service cost increases with age and is impacted by changes in interest rates.

Table #2 - CIBC: SCT

Summary compensation table[1]

		Annual Compensation								
			Variable Compensation							
Name and Principal Position	Year	Salary[2] ($)	Variable Cash Award ($)	Restricted Share/ Performance Share Awards[3] ($)	Securities Under Options/SARs Granted[4] ($)/(#)	Total Annual Variable Compensation ($)	Pension Cost[5] ($)	Total Compensation ($)	All Other Compensation[6][7][8] ($)
G.T. McCaughey	2006	1,000,000	TBD	TBD	750,000 / 40,862	TBD	365,000	TBD	833,511
President and	2005	741,667	Nil	5,050,000	250,000	5,050,000	177,000	5,968,667	826,058
Chief Executive Officer	2004	500,000	2,587,229	2,624,144	463,084 / 31,535	5,674,457	1,420,543	7,595,000	608,567
T.D. Woods	2006	400,000	875,610	1,084,268	191,341 / 10,425	2,151,219	606,781	3,158,000	90,057
Senior Executive Vice-President,	2005	400,000	Nil	1,351,219	Nil / Nil	1,351,219	597,781	2,349,000	75,771
Chief Financial Officer	2004	400,000	775,610	999,268	176,341 / 12,011	1,951,219	565,781	2,917,000	53,278
B.G. Shaw	2006	350,000	3,300,000	3,102,500	547,500 / 29,829	6,950,000	Nil	7,300,000	278,035
Senior Executive Vice-President,	2005	316,667	Nil	4,400,000	Nil / Nil	4,400,000	Nil	4,716,667	206,364
Chairman and Chief Executive	2004	150,000	4,867,500	2,982,500	Nil / Nil	7,850,000	Nil	8,000,000	199,355
Officer, CIBC World Markets									
S.R. McGirr	2006	350,000	2,025,000	2,018,750	356,250 / 19,410	4,400,000	133,000	4,883,000	232,156
Senior Executive Vice-President,	2005	316,667	Nil	3,400,000	Nil / Nil	3,400,000	41,000	3,757,667	343,303
Chief Risk Officer	2004	150,000	3,667,500	2,182,500	Nil / Nil	5,850,000	16,000	6,016,000	116,802
S.A. Baxendale	2006	450,000	1,137,284	1,349,192	238,093 / 12,972	2,724,569	458,431	3,633,000	110,971
Senior Executive Vice-President,	2005	405,952	Nil	1,974,569	Nil / Nil	1,974,569	441,431	2,821,952	77,722
CIBC Retail Markets	2004	322,500	1,133,750	863,812	152,438 / 11,380	2,150,000	35,000	2,507,500	63,388

Table #3 – Scotiabank: Supplementary Pension Disclosure Table

Table 15 — Additional Disclosure on Pension Arrangements

	YEARS OF PENSION SERVICE AS AT OCTOBER 31, 2006	2006 ANNUAL SERVICE COST ($)	TOTAL ACCRUED PENSION OBLIGATION AS AT OCTOBER 31, 2006 ($)	ESTIMATED ANNUAL PENSION BENEFIT PAYABLE AT NORMAL RETIREMENT AGE ($)
Richard E. Waugh	36	553,000	20,002,000	1,593,000
Luc A. Vanneste	11	187,000	1,379,000	254,000
Sarabjit S. Marwah	27	289,000	8,026,000	743,000
Robert L. Brooks	38	231,000	8,874,000	651,000
Brian J. Porter	13	148,000	1,140,000	212,000

1. The Annual Service Cost represents the value of the projected pension benefit, earned during the year.
2. The Total Accrued Pension Obligation represents the value of the projected pension benefit, earned for all service to date.
3. The Estimated Annual Pension Benefit payable at Normal Retirement Age is estimated based on total projected service at Normal Retirement Age, fiscal 2006 compensation and the terms of the current retirement agreements.
4. The estimated cost of these future pension benefits is calculated each year by the Bank's independent actuaries, based on the same method and assumptions used to determine year-end pension plan obligations as disclosed in Note 17 of the 2006 Consolidated Financial Statements. The key assumptions are a discount rate of 5.5% per year and a rate of increase in future compensation of 4.0% per year.
5. The estimated costs of these future benefits assume that all benefits are vested. Mr. Vanneste, Mr. Marwah and Mr. Porter are not yet vested in their supplemental pensions.
6. The estimated costs of these future benefits assume that the Named Executive Officers retire at Normal Retirement Age. An assumption of immediate retirement would not have a significant impact on these amounts, due to the early retirement reduction that would apply to reflect the longer payment period.
7. The impact of the Named Executive Officers' own contributions, if any, on the estimated cost of these future benefits is not material. Accordingly, any Named Executive Officer's contributions have not been taken into account in calculating these estimated costs.
8. The estimated costs of these future benefits are based on assumptions which represent current contractual entitlements; these entitlements may change over time.
9. The methods used to determine the estimated costs shown are not identical to the methods used by other companies and, as a result, these amounts may not be directly comparable across companies.

Question 12 – Should we include the service cost to the company in the SCT instead of the change in actuarial value or in addition to it?

Yes, the service cost (rather than the change in actuarial value of benefits earned under the pension plan) should be included in the SCT, as it allows shareholders to distinguish between compensatory and non-compensatory elements of the pension. While disclosure of the change in actuarial value could be provided separately, the service cost should be the value disclosed in the SCT and in the total compensation column for the reasons noted above.

In addition, we recommend that the CSA consider moving the disclosure of contributions to a defined contribution pension plan from the "All Other Compensation" column to the "Pension Value" column as this would allow readers to make more meaningful comparisons between the compensatory value disclosures of different pension arrangements at the different issuers.

Question 13 - Have we retained the appropriate threshold for perquisite disclosure given the changes to compensation amounts included in the bonus column of the SCT?

We agree with the CSA's approach.

Question 14 – Should we provide additional guidance on how to identify perquisites?

The guidance provided by the CSA is adequate.

Question 15 – Will a total compensation number calculated as proposed provide investors with meaningful information about compensation?

As mentioned previously, we strongly support clear disclosure of the total value of the compensation that has been awarded to NEOs. The large financial institutions already provide voluntary supplemental summary compensation information that includes a total compensation value and compensatory values for both equity based awards and the pension plan.

However, the SCT as proposed requires various components of compensation to be disclosed using different accounting standards. As we have discussed in our response to questions 10 & 11, if the intent of these changes is to increase transparency for shareholders on how the compensation committee is thinking about the pay package awarded to executives, and to allow for company to company comparability of compensatory values, then neither using an accounting value for equity based awards (rather than the Grant Date Compensation Fair Value) or a change in actuarial value for pension (rather than the service cost) accomplishes these goals. The total compensation value as proposed simply mixes compensatory decisions with non-compensatory elements that can be impacted by changes in accounting standards, changes in interest rates, changes in assumptions, and the executive's age. This does not provide shareholders with the desired insights into the pay for performance linkage and can significantly understate (or overstate) the compensation value in a given year, as has been seen with the negative compensation reported in recent proxy disclosures for some US companies. An example of such disclosure is provided in Table #4.

Table #4 – Brookfield Properties 2007 SCT

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards (DSUs)($)[2]	Option Awards ($)[3]	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)[4]	Total ($)
Ian G. Cockwell President & Chief Executive Officer	2006	$300,000	$320,000[3]	$(2,769,497)	$(317,418)	–	–	$169,997	$ (2,296,918)
Paul G. Kerrigan Executive Vice President & Chief Financial Officer	2006	$223,000	$240,000[3]	$(1,192,774)	$(178,872)	–	–	$ 78,233	$ (830,413)
William B. Seith Executive Vice President, Risk Management	2006	$190,000	$ 70,000	–	$ (78,986)	–	–	$ 9,555	$ 190,569

Question 16 – Will the disclosure of the grant date fair value of stock and option awards, along with the disclosure provided in the SCT, provide a complete picture of executive compensation?

We believe that a complete picture of executive compensation cannot be presented where stock and option awards are based on Accounting Cost, as presently proposed. Rather, the disclosure of stock and stock option awards based on a generally accepted compensation valuation methodology that are granted as part of the annual compensation planning process for NEOs will present a more complete and meaningful picture. In fact, the large financial institutions have already voluntarily provided the compensation value of equity awards granted (see Tables #1 and #2 as part of the response to Question 11) so that these amounts can be included in the calculation of a total compensation amount. We also support the continued provision of the narrative information requested in points 2 to 3 of Item 3.2, where applicable, as part of a more complete picture.

For the reasons provided in the response to Question 10 and as further illustrated in Appendix A, we do not support disclosing the Accounting Cost or the Accounting Grant Date Fair Value as determined in accordance with Section 3870 of the CICA Handbook in either of the SCT or the table "Grants of Equity Awards" proposed in Item 3.2.

The current proposal will result in disclosure of Accounting Cost for equity awards in the SCT that are different from the Accounting Grant Date Fair Value disclosed in the "Grants of Equity Awards" table. The result will be confusing, and therefore, less meaningful disclosure for shareholders because there is no correlation between these different numbers. In addition, the Accounting Grant Date Fair Value will be $0 for options with tandem Stock Appreciation Rights attached that are granted "at the money", as they are classified as liability-structured awards. As a result, the Accounting Grant Date Fair Value amounts would not be comparable between companies depending on whether or not the equity awards are structured as liability or equity plans (see the response to Question 10 and Appendix A Tables 4 and 5). To explain in a footnote the relationship between and rationale for the differences in the values disclosed will be cumbersome and complex, with no useful benefit for shareholders. Given the

prevalence of liability structures in Canada and because Canadian GAAP differs from US GAAP on this particular point, this issue does not arise under the new SEC disclosure.

A more complete and less confusing picture of the executive compensation awarded for the year's performance would be achieved by reporting of the Grant Date Compensation Fair Value of the equity awards in the SCT, as recommended in the response to Question 10. Adopting this approach would also eliminate the need for the "Grants of Equity Awards" table and the overall disclosure would be simplified and more accessible to shareholders.

Question 17 – Is the information a company will provide in the tables required by item 4 the most relevant information for investors? Do you agree with our decision to take a different approach to the SEC? Could material information be missed by this approach?

We support the CSA proposal to provide the type of information required by item 4 in tables separate from the SCT. Disclosure in the SCT of amounts paid or distributed with respect to vested stock awards would cause double-counting and confusion as both the value of grants and payouts would be shown on the same line.

With respect to items to be reported in the "Outstanding equity-based awards" table, we support the disclosure of the number of options (table column b), value of unexercised options (table column e), number of stock award units (table column f), and payout value of unvested stock award units (table column g) on an aggregate basis, similar to the disclosure currently provided for outstanding stock option awards. We do not support the disclosure on an award-by-award basis as it will add a level of detail that is not material to the reader, and will make the table unnecessarily cumbersome and confusing.

We do, however, believe that the range of option exercise prices and option expiry dates is relevant information for investors as it provides an indication of the extent to which the share price has increased or decreased since the NEO received the grants as well as the likelihood of exercise transactions over the next few years. Therefore, we propose that for each NEO, column (c) should report the lowest and highest option exercise price for the unexercised grant (e.g. $35.00 to $42.00). Similarly, the option expiration date in column (d) should include the range of applicable option expiry dates. We believe that presenting the proposed disclosure on an aggregate basis, as discussed above, combined with the applicable range of option exercise prices and option expiry dates, will result in more complete and useful disclosure.

We note that the new, proposed reporting of the number of options and the value of unexercised in-the-money options (column (e)) does not require the split between vested and unvested options as is currently required. The split is meaningful information in that it indicates the value that is realizable (i.e. the vested portion) immediately at the time of the disclosure and the value of the units that still have a retention effect as their value cannot be realized until some future date. We believe that this distinction should be retained and Table 4.1 modified accordingly.

We support the disclosure of the aggregate value of outstanding and unvested stock awards as of the end of the fiscal year. We have concerns, however, about the required disclosure contemplated in point 6 to Table 4. For those companies who grant performance-based stock awards, point 6 to the table in Item 4.1 appears to require an estimate of the potential value of the awards based only on the prior year's fiscal performance. Many of these plans in Canada have a 3 year vesting schedule such that there would be one grant that is approximately one year old, a second grant that is approximately 2 years old, and a third grant that is almost 3 years old and likely only a few months away from vesting and payout or distribution. We do not believe that estimating the impact of performance measures on the value of a stock award before the end of the 3 year performance period is appropriate given the potential for that estimate to be significantly different from the final payout at the end of the 3 year period. The narrative disclosure as required in Item 5.1 will provide readers with a greater understanding of the performance metrics and the maximum and minimum potential payout for the aggregate amount of the stock awards.

We support the disclosure of the value realized upon exercise of stock options or vesting of stock awards. However, the amount to be disclosed for stock awards should represent the actual amount paid or the value distributed (if shares are distributed) in accordance with the actual plan rules and not the market value of the share units on the vesting date. The description of the formula for determining the amount to be paid would be disclosed as required by Item 5.1.

We support your decision to deviate from the approach of the SEC in respect of the information to be reported respecting equity-based awards and plan-based awards.

Question 18 – Should we require supplemental tabular disclosure of defined contribution pension plans or other deferred compensation plans? Is a breakdown of the contribution and earnings under these plans necessary to understand the complete compensation picture?

The disclosure requirements for defined contribution plans should not materially differ from those for defined benefit plans. As with defined benefit plans, shareholders should be provided with detailed defined contribution plan information reflecting the compensatory value of the benefit earned during the year.

As mentioned earlier, we recommend the CSA consider moving the disclosure of employer contributions to a defined contribution pension plan from the "All Other Compensation" column to the "Pension Value" column to improve comparability of retirement plan benefits at various issuers.

We believe that shareholders should be provided with pertinent information reflecting the benefits provided under defined benefit pension and retirement plans. The most relevant information will be the amounts associated with the retirement plan benefits payable upon retirement, the pension obligation and the annual service cost as was voluntarily disclosed by many companies in previous years (see Table #3 in the response to Question 11). The proposed table does not require the benefits payable on

retirement or the annual service cost. Column (e) in Item 6, Payments During Last Fiscal Year, should be removed from the Table as it will be applicable only for those NEOs who have actually retired during the past fiscal year. In those very limited circumstances where an NEO has retired, the amount of the retirement benefits paid should be disclosed in a footnote to the table.

We do not support reporting the information associated with each applicable plan in a separate row. Typically, NEOs are eligible for retirement benefits under a registered pension plan plus additional benefits under a supplemental, or "top up", non-registered plan. The supplemental retirement arrangements generally work in tandem with the registered pension plan. Consequently, separating the benefits available under each plan will be confusing to shareholders and would not improve the overall understanding of benefits available to the NEOs.

Question 19 – Should we require estimates of termination payments for all NEOs or just the CEO?

If estimates of termination payments are to be disclosed, such disclosure should only be required in respect of the CEO. We believe that readers are most concerned about the amounts provided to the CEO of an organization as those would likely be the most material amounts. As more fully described below, we do not generally support the proposal to provide the significant level of detailed information related to potential and estimated payments under different termination scenarios.

Question 20 – Will it be too difficult to provide estimates of potential payments under different termination scenarios? Should we only require an estimate for the largest potential payment to the particular NEO?

We believe that the proposed scope of disclosure regarding termination payments will be too difficult to provide and of little practical use to shareholders for comparison purposes.

We understand a shareholders' interest in understanding the types of payments and distributions that may arise as a consequence of the termination of employment of NEOs. However, many companies do not have specific programs, plans or documented arrangements to define all of the various types of payments and benefits that may be provided under the various types of terminations. Where there are no agreements or contracts that provide any rights to cash severance or post employment benefits, those companies should not be required to provide estimates of what may be paid or provided as a benefit. Any estimate would be purely hypothetical as amounts and benefits actually provided would be unique to the particular facts and circumstances and negotiations surrounding the NEO's departure. In addition, reporting estimated or hypothetical values may have adverse legal implications for the company in the event of a wrongful dismissal suit.

Many companies do, however, have specific and relatively standard rules regarding vesting and payment or distribution of amounts related to equity compensation plans for the various types of terminations of employment and change in control. We support the

disclosure of the value of stock options, stock awards and pension benefits that would vest or be forfeited in the event of termination for cause, resignation, severance, or change of control as these amounts will not generally be too difficult to estimate based on the assumption that the triggering event occurred on the last day of the fiscal year. We draw your attention to the most recently filed Bank of America proxy circular which does not provide any estimate of cash payments or benefits but does provide disclosure in respect of the value of restricted stock and stock option awards that would vest or be forfeited upon termination (see copy in Appendix B).

Where there is no accelerated vesting or forfeiture for a particular type of termination (for example, retirement), that can be more effectively and simply disclosed in the narrative section rather than being included in a table.

Question 21 – Will expanded disclosure of director compensation provide useful information?

We support the CSA's initiative in enhancing disclosure of compensation paid to directors which we believe will provide useful information to shareholders. We note that many large issuers have already enhanced their director compensation disclosure on a voluntary basis.

However, as the director compensation table requires the same disclosure of grants of equity awards that is required for NEOs, we reiterate our comments regarding the SCT and the Grant of Equity Awards table set out above. We also refer you to the section on Deferred Share Units in Appendix A.

Question 22 – Do you agree that executive compensation disclosure should remain in the management information circular? Would moving it to another disclosure document provide a clearer link between pay and performance?

We agree that executive compensation disclosure should remain in the management information circular for the reasons noted in your request for comments.

Question 23 – Are there elements of compensation disclosure that are not relevant to venture issuers and that they should not be required to provide?

No comment.

Question 24 – Are there other specific elements of the requirements that are not relevant for venture issuers?

With respect to Part 11 of NI 51-102, you have indicated an intention to require venture issuers that do not send a management information circular to securityholders to file a completed Form 51-102F6 within 140 days of the financial year-end.

As noted in our cover letter, we are of the view that the disclosure requirements of Form 51-102F6 should not apply to venture issuers (such as asset-backed securities issuers which are administered by the Banks) which have no officers or employees who are paid by the venture issuer. Accordingly, we submit that the proposed new paragraph 11.6 of Part 11 of NI 51-102 should be clarified to this effect.

Question 25 – Would the prescription of a performance measurement tool provide useful information on the link between pay and performance?

We are of the view that the concept of a prescribed performance measurement tool would only be useful if a single measure could be developed that could be consistently applied by all issuers. We do note that the 5 largest Canadian Banks and 2 largest Canadian insurance companies have agreed to use a Cost of Management Ratio calculated as the total NEO compensation as a percentage of Net Income after Tax. However, while we have developed this consistent framework, we agree that it is very difficult to devise such a single performance measurement tool that yields relevant information and is comparable for all companies. As a result, we agree with your proposal to not require disclosure of a specific performance metric.

Question 26 – Do you think the suggested timeline will give companies enough time to implement these proposed disclosure requirements?

We think that the suggested timeline for implementation of the proposed disclosure requirements is not optimal in light of the US experience. We believe that the SEC is presently reviewing the use of Accounting Costs in the valuation of equity awards in the 2007 proxy disclosures in light of certain problematic issues raised. We have suggested that any finalizaton of similar disclosure requirements should be postponed so that the CSA can draw on the SEC experience and consequent revisions.

We have encouraged the CSA to instead utilize a standard compensation valuation methodology that would avoid some of these issues and provide more meaningful disclosure. If the CSA decides to proceed on that basis, we think that the suggested timeline may be sufficient.

This will be somewhat dependent on the timing of re-publication and further comment period, if any. We request that the CSA keep issuers informed of plans regarding anticipated timeline for republication and implementation. Advance communication will allow issuers to do advance preparation for the upcoming proxy season and proposed implementation date.

CBA Response to CSA's Request for Comments

Appendix A

Equity (CICA 3870) Issues

EQUITY COMPENSATION

Fundamentally, the approach of the SEC and the CSA Proposed Amendments has been to align pay disclosure with financial statement accounting disclosure.

There are three problematic areas with the Proposed Amendments worthy of discussion and illustration:

- *Accounting Cost (CICA 3870 of the Handbook) versus compensation value.* The compensation value (Grant Date Compensation Fair Value) that a committee applies to an equity grant or award may be greater than the accounting value of the grant used in the proxy disclosure.

- *Accounting time period allocation versus year of grant value.* The amount to be disclosed in the SCT for an equity award is not allocated to the year of grant, but rather allocated over the vesting period. Although this reflects an estimated cost of the awards to the company from an accounting perspective, it does not reflect how compensation committees or shareholders think about compensation for a NEO in respect of a given year.

- Equity versus liability structures. Following CICA 3870 rules, equity structures (i.e., those settled using treasury-issued shares such as conventional stock options) have an expense that is fixed at the time of grant. Hence, the amount disclosed in the proxy would be stable. On the other hand, the expense for liability structures (i.e., those settled using cash or shares purchased on the open market) must be marked to market to reflect changes in share prices, including related to any dividend equivalents until they are settled. This results in variable, possibly negative, amounts being disclosed over the life of the award for liability-type plans.

  While the executive and the compensation committee would view the compensation value as the same whether it was delivered through an equity or liability structure, the disclosure in the SCT will be very different.

  The difference in equity versus liability disclosure is a minor issue for US companies as the majority use equity structures. For tax reasons (equity type structures are generally tax deductible for US but not Canadian companies), liability-type plans are much more common in Canada, particularly in medium term structures such as restricted share units. While the intent of using CICA 3870 as a guide to disclosing mid and long-term incentive (such as stock options and restricted share units described further in this appendix and referred to collectively as LTI) values in the SCT was for comparability with the US (which uses FAS 123R in the same manner), the results will be very different because of the prevalence of liability plans in Canada. An example of problems with the proposed approach is seen in the 2007 Brookfield Homes proxy circular, an excerpt of which can be found in Table #4 of our response to Question #15.

FULL VALUE SHARES OR UNITS

While companies use various terms for these programs, we have defined two types of full value shares or share units for the purpose of this Appendix.

- Share units with time and/or performance restrictions ("Restricted Share Units");
- Share units that are held until employment termination ("Deferred Share Units")

Restricted Share Unit Plan

Restricted Share Units (RSUs) are full value phantom shares that reflect the value of the company's underlying publicly traded shares.

RSUs are granted at the start of a performance period (usually 3 years) and vest based solely on time and/or performance:

- *Time vesting only.* Sometimes referred to as RSUs and generally require ongoing employment to receive a payout;

- *Performance vesting (usually in combination with time).* Sometimes referred to as performance share units (PSUs). Typically, a contingent target award of PSUs is made at the beginning of the performance period. The initial award may be adjusted up or down based on actual performance achieved, and, as with RSUs, may be settled in cash and/or shares purchased in the open market.

Dividend equivalents may be credited on the RSU/PSUs over the performance period and generally vest if/when the RSUs vest. Vested awards may be settled in cash, in shares purchased in the open market, or a combination.

Most RSU/PSUs in Canada are subject to variable/liability accounting under CICA Section 3870. This is very different from the normal U.S. structure which would be a promise to issue shares from treasury and therefore eliminate the impact of post grant date share price movements and dividend payments on the accounting expense – and in turn on compensation amounts disclosed in the SCT.

The table below assumes that an RSU grant with a starting market value of $300,000 is made at the start of a fiscal year. It shows the Section 3870 accounting and, in turn, SCT "Stock Award" column disclosure for the first year based on various year end share price assumptions, excluding any reinvestment of dividend equivalents. While most Boards and readers would attribute $300,000 for the Grant Date Compensation Fair Value of the award actually granted in the fiscal year, the actual SCT amount for a liability structure depends on both the year end (versus grant date) price and the annual attribution of the amount. See Table 6 in the Appendix for an example of the proposed SCT disclosure as compared to the type of disclosure that most Banks had adopted in the prior year's SCT.

Table 1: RSU Grant Year 1 SCT Amount

Difference Between Equity and Liability Plan Disclosure
Amounts shown for liability (cash settled) plans are variable, whereas amounts for equity plans are stable and predictable.

Assumptions:				
Number of Restricted Shares/RSUs	30,000			
Grant Price	$10			
RSU/Restricted Share Grant Value	**$300,000**			
Accounting Grant Date Fair Value	$10			
Accounting Accrual	1/3 a year			
Share Price at End of Year 1	**$8**	**$10**	**$12**	**$15**
Canadian-Style RSUs (Liability)				
Per RSU (latest price)	$8	$10	$12	$15
Total	$240,000	$300,000	$360,000	$450,000
Impact on SCT (1/3 accrued value)	**$80,000**	**$100,000**	**$120,000**	**$150,000**
US-Style RSUs (Equity)				
Per Share (accounting fair value)	$10	$10	$10	$10
Total	$300,000	$300,000	$300,000	$300,000
Impact on SCT (1/3 accrued value)	**$100,000**	**$100,000**	**$100,000**	**$100,000**

Depending on year-end share price and plan design, the SCT disclosure could be very different for an award with the same intended compensation value

Using the $12 end of year price example above, the Board awarded $300,000 in RSUs that happened to have an underlying value of $360,000 at the end of the year – which drives that year's accounting expense under the Canadian GAAP example. Moreover, also included in the "Stock Awards" column in the SCT would be allocations from and marked-to-market adjustments for prior year's grants that are still outstanding.

The table below provides an example of the allocation of the same $300,000 grant of RSUs over the 3-year vesting period, including an assumption for dividend equivalents.

Table 2: RSU Grant Allocated over Vesting Period

Differences Between Equity and Liability Plan Disclosure
1) Amounts shown for liability (cash settled) plans are variable and can potentially be negative, whereas equity plan values are predictable and always positive.
2) Accruals for Canadian-style RSU plans often need to reflect dividend equivalents as well as price fluctuations. For equity plans, the dividend component is built into the Accounting Grant Date Fair Value.

Assumptions:

Number of Restricted Shares/RSUs	30,000
Grant Price	$10
RSU/Restricted Share Grant Value	$300,000
Accounting Grant Date Fair Value	$10
Dividend Yield	3%
Accounting Accrual	1/3 a year

	Year 1	**Year 2**	**Year 3**
Share Price	**$12**	**$17**	**$18**
Canadian-Style RSUs (Liability)			
Per RSU (latest price)	$12	$17	$18
Dividend Equivalents RSUs	900	927	955
Total Number of RSUs at Year-End	30,900	31,827	32,782
Total Value	$370,800	$541,059	$590,076
% Accrued	33.3%	66.7%	100.0%
Impact on SCT (1/3 accrued value)	**$123,600**	**$237,106**	**$229,370**
(equals Total x % Accrued less amounts accrued in previous years)			
US-Style RSUs (Equity)			
Per Share (accounting fair value)	$10	$10	$10
Total	$300,000	$300,000	$300,000
% Accrued	33.3%	66.7%	100.0%
Impact on SCT (1/3 accrued value)	**$100,000**	**$100,000**	**$100,000**
(equals Total x % Accrued less amounts accrued in previous years)			

The ultimate payouts for the executives under both the US and Canadian approaches is the same and the intended compensation value granted by the Board was the same, yet the disclosed SCT compensation can be very different.

In summary, using CICA 3870 accounting expense in the SCT results in compensation disclosure that is:

- Misaligned with how Boards make compensation decisions, and
- Confusing and misleading for readers who wish to understand and value the compensation awarded for a given year.

On a related note, some companies will hedge their share price and dividend exposure to income – albeit outside the CICA 3870 Accounting item being used for disclosure purposes. The use of hedging, as well as the fact that liability plans provide the company with a tax deductible corporate expense means that the CICA 3870 accounting item only tells part of the story in terms of the stock-based compensation's effect on the income statement.

Deferred Share Unit Plan (DSU)

DSUs are similar to RSUs, except that they can only be settled on termination of employment or retirement. DSUs may be used in one of three ways:

- As a bonus deferral mechanism. Some organizations permit executives to elect to receive all or a portion of their annual bonus in DSUs rather than cash.
- As a standalone award. In some cases, a special grant of DSUs may be given to an executive, e.g. coincident with promotion.
- As part of a board member's compensation. Many publicly traded companies permit directors to receive their cash compensation in DSUs and/or award standalone grants of DSUs on appointment to the Board, etc.

This vehicle is less common in the US.

In the Canadian context, most institutional investors regard DSU holdings as being akin to ownership – as their value is aligned to share price and they must be maintained until employment termination/retirement. In many companies, such holdings are recognized in calculation of board members and executives meeting corporate share ownership requirements. On the settlement date (i.e., retirement) amounts are fully taxable, with a corresponding tax deductible expense for the company.

DSUs are most often settled in cash. They are subject to variable/liability accounting under CICA Section 3870.

DSU Impact on the SCT and Director Compensation Table

Example: An executive and a board member have elected to receive pay in the form of DSUs and, with subsequent shareholder return performance, have accumulated DSU account values of $2,000,000 and $200,000 respectively at the beginning of the year. The total shareholder return ("TSR") for the year is 15% (share price increase and dividends). The impact on these ownership positions for the year would be $300,000 for the executive and $30,000 for the Board member. These amounts would be captured under section 3870 for that year and would have to be included as part of the Stock Awards amount under the SCT and Director Compensation tables respectively. We believe these amounts are viewed by most shareholders as a change in the value of an ownership position (note: and disclosed as such under Director ownership) and not annual compensation. Moreover, the company may in fact hedge the TSR exposure. In this case, the disclosed value would represent neither the overall accounting expense or compensation amount.

STOCK OPTIONS / APPRECIATION PLANS

Stock options give participants the right to buy company shares at a predetermined price (the exercise price) for a period of time (option term) once vested. Stock options are normally structured as equity since they are settled in treasury shares. This structure allows for fair value accounting, in that the Accounting Grant Date Fair Value is fixed by an option pricing model at the date of grant and then allocated (or amortized to expense) over the vesting period.

Stock option valuation approaches have been a much discussed and debated topic – particularly in the US, as part of a long drawn out process that led to the eventual adoption of mandated option accounting. For many financial institutions, the historically low share price volatility combined with a reasonably healthy dividend in relation to interest rates, has resulted in option accounting values that some compensation committees may feel understates the option value. To this end, and assuming that the CSA agrees not to use the accounting expense approach for disclosure purposes, it would be prudent to let the compensation committee determine the compensation value of an option.

The use of the accounting annual allocation causes similar concerns to those expressed above under RSUs. The important information for proxy readers is the value of an option award in a given year, as well as the accumulated positions and exercises with respect to these options. This information cannot be derived from the SCT in the form currently proposed.

The table on the next page illustrates the difference between the Accounting Grant Date Fair Value of a grant and the allocated expense that would be captured under the "Option Awards" column of the SCT:

Table 3: Option Grants: Allocation and Accounting versus Compensation Value

Complications of Incorporating Accounting Accrual in Disclosure
The accrued accounting expense approach makes it very difficult to see the value awarded in the latest grant. In some situations, the accounting value tends to understate the value the Compensation Committee is considering in its deliberations.

Assumptions:
Grant Date Comp Fair Value - based on compensation option pricing model
Accounting Grant Date Fair Value - based on CICA 3870 guidelines
Accounting Accrual 25% a year

	2007	2008	2009	2010
Share Price	$6.00	$8.00	$10.00	$20.00
Number of Options Granted	10,000	10,000	10,000	10,000
Proposed Accounting Accrual Treatment				
Per Option (accounting option value)	$1.20	$1.60	$2.00	$4.00
Total Accounting Grant Date Fair Value	**$12,000**	**$16,000**	**$20,000**	**$40,000**
Accrual/Allocation			1/4 of accounting fair value is accrued each year beginning in the year of grant	
2004 Grant ($9,000 accounting fair value)	$2,250			
2005 Grant ($10,000 accounting fair value)	$2,500	$2,500		
2006 Grant ($11,500 accounting fair value)	$2,875	$2,875	$2,875	
2007 Grant ($12,000 accounting fair value)	$3,000	$3,000	$3,000	$3,000
2008 Grant ($16,000 accounting fair value)		$4,000	$4,000	$4,000
2009 Grant ($20,000 accounting fair value)			$5,000	$5,000
2010 Grant ($40,000 accounting fair value)				$10,000
Impact on SCT	**$10,625**	**$12,375**	**$14,875**	**$22,000**
Sum of accruals for:	2004-07 Grants	2005-08 Grants	2006-09 Grants	2007-10 Grants
How Compensation Committee Sets Pay				
Per Option (compensation value)	$1.80	$2.40	$3.00	$6.00
Grant Date Comp Fair Value	**$18,000**	**$24,000**	**$30,000**	**$60,000**
	2007 Grant	2008 Grant	2009 Grant	2010 Grant

Tandem SARs

A number of Canadian companies attach tandem stock appreciation rights (SARs) to their options. Tandem SARs gives the participant the right to receive a cash payment equal to the option gain in lieu of exercising the option (which is in turn cancelled). These plans are accounted for as liabilities.

Similar to the RSUs, the related CICA 3870 expense is dependent on the year end price and not the grant price. The table that follows assumes that the options with tandem SARs are granted at the start of the year, shows the year 1 expense dependent on the year 1 ending price, and compares this to a regular option (no SAR) expense. While most compensation committees and investors would attribute $200,000 or higher for the Grant Date Compensation Fair Value, the actual SCT amount for a Canadian structure

depends on both the year end (versus grant date) price and the annual allocation of the amount.

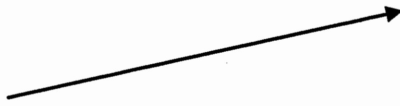
Table 4: Tandem SAR Grant Year 1 SCT Amount

Difference Between Equity and Liability Plan Disclosure and How Compensation Committee Sets Pay
Amounts shown for liability (cash settled) plans are variable, whereas amounts for equity plans are stable and predictable.
Amounts shown based on accounting standards do not reflect the compensation value that was awarded as a result of the annual compensation decision making process and do not reflect the primary considerations in the decision making process.

Assumptions:				
Number of Options	100,000			
Exercise Price	$10			
Grant Date Comp Fair Value per option	$3			
Grant Date Comp Fair Value	$300,000			
FASB Fair Value per Option	$2	(CICA 3870 intrinsic value at grant = $0)		
FASB Fair Value of Grant	**$200,000**			
Accounting Accrual	25% a year			
Share Price at End of Year 1	**$8**	**$10**	**$12**	**$15**
Stock Appreciation Rights (Liability)				
Per Option (in the money)	$0 *	$0	$2	$5
Total (in the money)	$0	$0	$200,000	$500,000
Impact on SCT (25% accrued value)	**$0**	**$0**	**$50,000**	**$125,000**

* In the money value cannot fall below $0

($15 Year 1 Price minus $10 Exercise Price) x 100,000 Options x 25% for Year 1 Accrual



Stock Options (if no SARs)

Impact on SCT (25% accrued value)	**$50,000**	**$50,000**	**$50,000**	**$50,000**

Under Canadian GAAP, this would be the same result for stock options with no SARs

It is important to note that the CICA 3870 rules differ from both FASB and the IASB in terms of the starting point fair value for SARs. FASB has a starting value (see table above) which is akin to the CICA equity option starting fair value. As harmonization of accounting standards continues, it is likely that the allocation of this expense, and in turn the allocation for each year in the SCT, will change.

The table below provides an example of the allocation of a stock option with tandem SARs. The cumulative expense, and in turn SCT amounts, total $500,000 for the tandem SAR grant and $200,000 for the regular option with no SAR. In both cases, the actual benefit to the executive is the same.

Table 5: Tandem SAR Grant Allocation (over term)

Difference Between Equity and Liability Plan Disclosure and How Compensation Committee Sets Pay
1) Amounts shown for liability (cash settled) LTI plans are variable and may be negative, whereas equity plan values are predictable and always positive.
2) Accrual for liability plans continues until year it is settled/paid out. Accrual for equity plans is completed when all options/units are vested.
3) Amount awarded in Year 1 by the Compensation Committee during the annual decision making process was $300,000 and that amount would never be disclosed in the SCT.

Assumptions:

Number of Options	100,000	
Exercise Price	$10	
Grant Date Comp Fair Value per option	$3	
Grant Date Comp Fair Value	$300,000	
FASB Fair Value per Option	$2	(CICA 3870 intrinsic value at grant = $0)
FASB Fair Value of Grant	**$200,000**	
Accounting Accrual	25% a year	

Options/SARs assumed exercised in year 5

Table 5: Tandem SAR Grant Allocation (over term) (Cont'd)

	Year 1	Year 2	Year 3	Year 4	Year 5
Share Price	$11.00	$12.00	$14.00	$19.00	$15.00
Stock Appreciation Rights (Liability)					
Per Option (in the money)	$1.00	$2.00	$4.00	$9.00	$5.00
Total (in the money)	$100,000	$200,000	$400,000	$900,000	$500,000
% Accrued	25%	50%	75%	100%	100%
Impact on SCT	**$25,000**	**$75,000**	**$200,000**	**$600,000**	**($400,000)**

(equals Total x % Accrued less amounts accrued in previous years)

100,000 Options x $5 In The Money x 100% for Year 5 Accrual Less ($25,000 + $75,000 + $200,000 + $600,000) Accrued in Years 1 through 4. The year 5 accrual is negative, since total in the money of $500,000 is less than what has been previously accrued ($900,000).

Depending on share price fluctuation, the SCT disclosure for a SAR is more volatile than for an option, even though the actual benefit realized by the executive would be the same

Stock Options (no SARs)

	Year 1	Year 2	Year 3	Year 4	Year 5
% Accrued	25%	50%	75%	100%	100%
Impact on SCT	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$0**

(equals Total x % Accrued less amounts accrued in previous years)

100,000 Options x $2 FASB Fair Value x 75% for Year 3 Accrual Less ($50,000 + $50,000) Accrued in Years 1 and 2

No further accruals once all options are vested

As is the case with the RSU/PSUs, some companies will hedge their share price – albeit outside the CICA 3870 Accounting item being used for disclosure purposes. The use of hedging, as well as the fact that liability plans provide the company with a tax deductible corporate expense means that the CICA 3870 accounting item only tells part of the story in terms of the stock-based compensation's effect on the income statement.

ALIGNING COMPENSATION DISCLOSURE WITH THE DECISION-MAKING PROCESS

A majority of the large Canadian banks have adopted a particular form of SCT disclosure to align with the process by which their respective compensation committees award and approve incentive compensation.

Specifically, using 2006 disclosed compensation as an example, the SCT reflects:

- Base salary paid for fiscal 2006 (fiscal year ends October 31)
- Annual bonus earned for fiscal 2006, but approved and paid in calendar 2006/ fiscal 2007
- Stock options and RSUs/PSUs awarded in calendar 2006/fiscal 2007.

Under the above approach, the equity-related awards disclosed are those most recently approved for the fiscal 2006 year.

The tables on the next page illustrate:

- SCT disclosure of salary, bonus and equity-based awards using the Grant Date Compensation Fair Value determined as part of the fiscal 2006 (the covered year) annual compensation decision making process. (Table 6a).
- Resulting first year SCT disclosure based on the proposed rules, including the Accounting Cost for fiscal 2006 as determined under Canadian GAAP. (Table 6b).

Table 6 Assumptions

Salary Received in Fiscal 2006	$300,000
Bonus Earned for Fiscal 2006	$200,000
Stock Options Awarded in Dec. 2006	$450,000
RSUs/PSUs Awarded in Dec. 2006	$450,000
Dividend Yield	3%

Option Grant Date Comp Fair Value (FV) - based on compensation option pricing model
Option Accounting Grant Date FV - based on CICA 3870 guidelines
Accounting Accrual for Options 25% a year

Compensation RSU/PSU Value 100% of share price on grant date
Accounting RSU/PSU Value 100% of share price on grant date
Accounting Accrual for RSUs/PSUs 1/3 a year

Grant Date	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06
Share Price	$7.00	$8.00	$10.00	$12.00	$15.00
Number of Options Granted	100,000	100,000	100,000	100,000	100,000
Option Accounting Grant Date FV	$140,000	$160,000	$200,000	$240,000	$300,000
Number of RSUs/PSUs Granted	30,000	30,000	30,000	30,000	30,000
RSU/PSU Accounting Grant Date FV	$210,000	$240,000	$300,000	$360,000	$450,000

Table 6a: 2006 Compensation Value Disclosure

Salary	Bonus	RSU/PSU Value	Option Value			Total
$300,000	$200,000	$450,000	$450,000			$1,400,000

Annual Incentive earned in FY06

RSUs/PSUs awarded in FY07 for service in FY06 at compensation value

Options awarded in FY07 for service in FY06 at Grant Date Compensation FV

Significant difference between the compensation approved and the amount disclosed under the proposals.

Table 6b: 2006 Proposed CSA Disclosure

Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan		Total
$300,000	$0	$456,420	$185,000	$200,000		$1,141,420

Annual Incentive earned in FY06

Award Granted In...	RSU/PSU Grant Value	RSU/PSU FY06 Allocation	Option Accounting Grant Date FV	Option FY06 Allocation
FY03 (Dec 02)	N/A	*N/A*	$140,000	*$35,000*
FY04 (Dec 03)	$240,000	*$181,204*	$160,000	*$40,000*
FY05 (Dec 04)	$300,000	*$151,616*	$200,000	*$50,000*
FY06 (Dec 05)	$360,000	*$123,600*	$240,000	*$60,000*
Total		*$456,420*		*$185,000*

Notes:
- RSUs/PSUs expense assumed to be accrued over 3 years and includes dividend equivalents
- Option expense assumed to be accrued over 4 years
- Bonus is assumed to be completely performance-based

SEPARATING ANNUAL COMPENSATION DECISIONS FROM EQUITY POSITIONS

The table below provides an illustration of a change in equity position of options, PSUs and DSUs. In this example, the options do not have tandem SARs and therefore the change in the "in-the-money" value does not flow through the SCT. The change in the outstanding positions of the PSUs and DSUs do flow through the SCT as annual compensation.

Table 7: Change in Equity Position and Inclusion in SCT

	2007	2008	Increase/Payout	Inclusion in SCT
Options In-The-Money	$10,000,000	$14,000,000	**$4,000,000**	**No**
PSU Position	$5,000,000	$6,000,000	**$1,000,000 A**	**Yes**
DSU Position	$10,000,000	$11,500,000	**$1,500,000 B**	**Yes**
Total Change			**$6,500,000**	
Additional Compensation Disclosed in SCT			**$2,500,000 A+B**	
Change not Disclosed in SCT			**$4,000,000**	

Notes:
Assumes regular options (no SARs)
Ignores accounting allocation of the compensation disclosed

Most users of the proxy, and most executives, would view a change in the in-the-money position of an option in much the same way as the change in the RSU/PSU positions. Yet, these are treated differently in relation to annual compensation disclosure in the SCT. Moreover, the changes in equity positions that flow through the SCT make the resulting amounts less clear and difficult to compare from one company to another.

It is strongly proposed that the SCT focus on the annual compensation value of the awards provided for a certain year as shown in Table 6a of this appendix. This represents decisions made by the compensation committee that should be disclosed to shareholders. The change in the equity positions of outstanding options, RSU/PSUs and DSUs are equally important, but should be disclosed in a separate table(s).

CBA Response to CSA's Request for Comments

Appendix B

Examples of US Proxy Disclosure

The following excerpts from proxies filed in the U.S. have been referenced in the response to the CSA's questions as noted below.

Question 10
Bank of America: Alternative SCT

Alternative Summary Compensation Table
Compensation for 2006 Performance

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Kenneth D. Lewis Chairman, President and Chief Executive Officer	2006	1,500,000	11,065,798	3,376,000	6,500,000	2,987,799	219,969	**25,649,566**
Alvaro G. de Molina Chief Financial Officer	2006	700,000	4,013,871	1,688,000	3,310,000	191,220	153,202	**10,056,293**
R. Eugene Taylor Vice Chairman and President, Global Corporate and Investment Banking	2006	800,000	4,954,469	2,110,000	3,675,000	698,230	31,424	**12,269,123**
Amy Woods Brinkley Global Risk Executive	2006	800,000	4,275,421	1,688,000	3,450,000	482,679	128,223	**10,824,323**
Barbara J. Desoer Global Technology, Service and Fulfillment Executive	2006	800,000	4,652,694	1,688,000	3,575,000	432,363	31,606	**11,179,663**
Liam E. McGee President, Global Consumer and Small Business Banking	2006	800,000	5,558,074	2,110,000	3,875,000	122,507	45,511	**12,511,092**
Brian T. Moynihan President, Global Wealth and Investment Management	2006	700,000	3,873,054	1,688,000	3,050,000	186,103	73,882	**9,571,039**

(1) The grant date fair value of the restricted stock awards is based on the closing price of the Common Stock on the grant date, February 15, 2007.
(2) A lattice option pricing model was used to estimate the grant date fair value of the stock option awards assuming: (i) an expected volatility range of 16% - 27%; (ii) an expected dividend yield of 4.40%; (iii) a risk-free interest rate range of 4.72% - 5.16%; and (iv) an exercise price equal to the closing price of the Common Stock on the February 15, 2007 grant date of $53.85. Additionally, an expected option term of 6.5 years, representing the period of

time that the stock options are expected to be outstanding, is derived from the model.

Question 10, response part (d)
Marshall & Ilsley Corporation: Excerpt from SCT

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
Dennis J. Kuester Chairman and Chief Executive Officer	2006	$925,000	—	$2,163,344	$1,760,171	$1,452,250	$1,479,013	$305,929	$8,085,707
Gregory A. Smith (7) Senior Vice President and Chief Financial Officer	2006	242,045	$48,325(9)	114,931	108,278	351,675	2,946	39,118	907,318
John M. Presley (8) Senior Vice President and Chief Financial Officer (Resigned)	2006	86,833	—	(252,787)	(195,707)		—	45,927	(315,734)

(1) Salary adjustments for the Company's executive officers generally are effective on January 1 of each year.

(2) Represents the expense for both restricted shares and long-term incentive units recognized by the Company in accordance with Financial Accounting Standard No. 123(R) ("FAS 123(R)"), which requires that compensation cost relating to share-based payment transactions be recognized in financial statements. The values set forth in this column represent the dollar amounts recognized in accordance with FAS 123(R) with respect to fiscal 2006, disregarding the estimate of forfeitures for service-based vesting conditions. The expense recognized by the Company in accordance with FAS 123(R) may differ from the value that will eventually be realized by the named executive officers, which will be based on the market value of the Common Stock at the time of vesting (and, for the long-term incentive units, will also be dependent upon the performance of the Company relative to the targets established by the Compensation Committee). The assumptions used to determine the FAS 123(R) values are described in Note 18 to the consolidated financial statements in M&I's Annual Report on Form 10-K for the year ended December 31, 2006. The expense attributable to stock awards granted in October 2006 (for Mr. Smith, this also includes the June 2006 awards) and the expense attributable to unvested stock awards granted in prior

years, respectively, for each named executive officer are as follows: Mr. Kuester—$42,360 and $2,120,894; Mr. Furlong—$21,180 and $1,185,474; Mr. Martire—$14,120 and $276,669; Mr. Smith—$114,931 and $0; Mr. Presley—$0 and $(252,787); and Mr. Hayford—$8,796 and $138,335.

(3) Represents the expense for stock options recognized by the Company in accordance with FAS 123(R). The values set forth in this column represent the dollar amounts recognized in accordance with FAS 123(R) with

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respect to fiscal 2006, disregarding the estimate of forfeitures for service-based vesting conditions. The expense recognized by the Company in accordance with FAS 123(R) may differ from the value that will eventually be realized by the named executive officers. The named executive officers will realize value in connection with the stock options only if and to the extent the price of the Common Stock exceeds the exercise price of the stock options at such time as the officers exercise the stock options. The assumptions used to determine the FAS 123(R) values are described in Note 18 to the consolidated financial statements in M&I's Annual Report on Form 10-K for the year ended December 31, 2006. The expense attributable to option awards granted in October 2006 (for Mr. Smith, this also includes the June 2006 award) and the expense attributable to unvested option awards granted in prior years, respectively, for each named executive officer are as follows: Mr. Kuester—$1,760,171 and $0; Mr. Furlong—$47,694 and $746,495; Mr. Martire—$31,799 and $511,891; Mr. Smith—$108,278 and $0; Mr. Presley—$0 and $(195,707); and Mr. Hayford—$19,632 and $255,159. Because he is over 55 years of age and has more than ten years of service with the Company, Mr. Kuester's options were fully vested on the date of grant.

(8) Mr. Presley resigned his employment with the Company effective March 24, 2006. As a result, Mr. Presley forfeited options to purchase 85,000 shares of Common Stock, 15,000 restricted stock units and 10,000 units awarded under the Company's 1994 Long-Term Incentive Plan.

Question 10, response part (f)
United Technologies Corporation: Excerpt from SCT

Summary Compensation Table.

Name & Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
George David Chairman and Chief Executive Officer	2006	$1,791,667	$3,800,000	$7,675,200	$7,217,233	$3,034,287	$2,733,737	$922,708	$27,174,832
Louis R. Chênevert President and Chief Operating Officer	2006	$808,333	$1,400,000	$665,184	$3,744,569	$652,894	$336,664	$212,668	$7,820,312

(1) The calculation of annual bonuses reflects 2006 growth in earnings and free cash flow as a percentage of net income, plus other factors identified by the Committee and discussed in the Compensation Discussion and Analysis (the "CD&A") on pages 10 through 15 of this Proxy Statement.

(2) Amounts in this column reflect the expense recognized by UTC for accounting purposes calculated in accordance with FASB

Statement of Financial Accounting Standards No. 123 (revised 2004) ("FAS 123R") with respect to performance share units ("PSUs") granted in 2006. The assumptions made in the valuation of these awards are set forth in Note 10, Employee Benefit Plans, to the Consolidated Financial Statements in Exhibit 13 to UTC's 2006 Annual Report on Form 10-K (available at http://investors.utc.com/edgar.cfm). Under FAS 123R, PSUs are amortized over 36 months, except for retirement-eligible executives whose awards are amortized over 12 months. Accordingly, amounts in this column reflect the full value of Mr. David's January 2006 PSU award. PSUs are discussed in the CD&A and in the Grants of Plan-Based Awards table on page 18 of this Proxy Statement.

(3) Amounts in this column reflect the expense recognized by UTC for accounting purposes calculated in accordance with FAS 123R with respect to stock appreciation rights ("SARs") granted in 2006 and stock options granted in prior years. The assumptions made in the valuation of these awards are set forth in Note 10, Employee Benefit Plans, to the Consolidated Financial Statements in Exhibit 13 to UTC's 2006 Annual Report on Form 10-K. Under FAS 123R, SARs are amortized over 36 months, except for retirement-eligible executives whose awards are amortized over 12 months. Accordingly, amounts in this column reflect the full value of Mr. David's January 2006 SAR award plus a portion of an earlier stock option award in February 2005. SARs are discussed in the CD&A and in the Grants of Plan-Based Awards table.

Question 20
Bank of America: Excerpt from Post-Employment Benefits Disclosure

Post-Employment Benefits. None of our executive officers have employment, severance or change in control agreements with us. Consequently, none of our executive officers have any right to cash severance of any kind under any circumstances. In addition, under our policy regarding executive severance agreements, we will not enter into employment or severance agreements with our named executive officers that provide severance benefits exceeding two times base salary and bonus, unless the agreement has been approved by our stockholders.

Our restricted stock and stock option awards include standard provisions that result in the vesting or forfeiture of awards upon termination of employment, depending on the reason for termination. For awards granted in 2006 or later, the awards include provisions that may permit the continued vesting of the award per the original vesting schedule if the executive does not go to work for a named competitor during the original vesting period and annually provides us with a written certification that he or she is in compliance with this requirement. This provision applies if the associate meets the "Rule of 60" at the date of termination. Rule of 60 is met when an associate has at least 10 years of vesting service under our pension plan in which he or she participates and his or her age and years of service add up to at least 60. Currently, each of the executive officers meets the Rule of 60.

The following chart shows the value of restricted stock and stock option awards that would have become vested or forfeited, or that could have continued to vest subject to the non-compete requirement, for a termination of employment as of December 31, 2006. For this purpose, restricted stock awards were valued at our closing price as of December 31, 2006, and stock options were valued as the difference between our closing price as of that date and the applicable exercise price of the stock options.

	Termination For Cause	Death or Disability; Termination Due to Workforce Reduction/ Divestiture; Change in Control	Any Other Involuntary Termination Without Cause			Voluntary Termination		
Name	Forfeit	Immediate Vesting	Immediate Vesting	Continued Vesting, Subject to Non Compete	Forfeit	Immediate Vesting	Continued Vesting, Subject to Non Compete	Forfeit
Kenneth D. Lewis	53,834,074	53,834,074	35,917,541	17,916,533	0	35,917,541	17,916,533	0
Alvaro G. de Molina	15,344,408	15,344,408	6,458,150	5,812,618	3,073,640	4,624,738	5,812,618	4,907,052
R. Eugene Taylor	17,563,335	17,563,335	11,265,242	6,298,093	0	11,265,242	6,298,093	0
Amy Woods Brinkley	17,258,585	17,258,585	11,567,323	5,691,262	0	11,567,323	5,691,262	0

Barbara J. Desoer	16,659,388	16,659,388	10,889,216	5,770,172	0	10,889,216	5,770,172	0
Liam E. McGee	11,588,547	11,588,547	5,084,959	5,770,172	733,416	4,926,818	5,770,172	891,557
Brian T. Moynihan	11,072,643	11,072,643	5,181,115	5,891,528	0	5,181,115	5,891,528	0

Following termination of employment, our executive officers receive payment of retirement benefits and nonqualified deferred compensation benefits under our various plans in which they participate. The value of those benefits as of December 31, 2006 are set forth in the sections above entitled "Pension Benefits" and "Nonqualified Deferred Compensation." There are no special or enhanced benefits under those plans for our executive officers, and all of our executive officers are fully vested in those benefits.