

March 31, 2011

John Stevenson
Secretary
Ontario Securities Commission
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Toronto, Ontario M5H 3S8
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Re: OSC Staff Notice 54-701 *Regulatory Developments Regarding Shareholder Democracy Issues*

Dear Sirs/Mesdames:

The Canadian Bankers Association (“CBA”) works on behalf of 51 domestic chartered banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 260,000 employees to advocate for efficient and effective public policies governing banks and their provincially-regulated subsidiaries. The CBA also works to promote an understanding of the banking industry and its importance to Canadians and the Canadian economy.

General Remarks

We understand that the OSC Staff Notice 54-701 *Regulatory Developments Regarding Shareholder Democracy Issues* (the “**Notice**”) provides an update on the work of the Ontario Securities Commission (the “**OSC**”) on shareholder democracy issues, with the following three issues being identified as requiring additional review at this time and, potentially, the development of regulatory proposals for reporting issuers: (a) slate voting and majority voting for uncontested director elections, (b) shareholder advisory votes on executive compensation and (c) the effectiveness of the proxy voting system. We also understand from the Notice that the OSC may identify additional issues as a result of continued review or developments in the capital markets.

We are generally supportive of the commitment of the OSC to review protections for shareholders’ rights and corporate governance, and to conduct a formal review of democracy in corporate governance in Ontario. We also appreciate the opportunity to comment on the Notice and we would be pleased to discuss these issues, and our comments, with you in further detail.

Slate Voting and Majority Voting for Uncontested Director Elections

Pursuant to section 167 of the *Bank Act*, the governing corporate statute for our members, the general rule is that the persons who receive the greatest number of votes at an election of directors of a bank shall be the directors thereof. Recognizing the need to ensure that director elections impose meaningful accountability, our members have nevertheless adopted a majority voting standard for uncontested director elections.

Our members' current procedure is that if a director nominee in an uncontested election¹ receives more *withheld* votes than *for* votes, he or she is required to tender his or resignation to the board of directors. The board's corporate governance committee considers the director's offer to resign and recommends whether the board should accept it. While the nature of the recommendation cannot be predicted with certainty, it is generally expected that the recommendation would be that the board should accept the resignation, except in special circumstances. The board typically has 90 days to make a final decision and issue a press release either announcing the resignation or explaining why it had not been accepted. The director who tendered resignation is not part of this decision-making process. We think that this procedure is adequate and effective, appropriately weighing governance concerns as well shareholder voices. We note that the majority voting policies of many of our members reflect consultation with the Canadian Coalition for Good Governance. We see no policy reason for mandating a different procedure.

We also wish to point out that we support the facilitation of individual director voting, and we would appreciate an opportunity to review and comment on any proposals by the OSC in this regard.

Mandated Shareholder Advisory Votes on Executive Compensation

We understand that the OSC has been monitoring international developments in respect of a separate advisory vote on executive compensation and "golden parachute" payments and is considering whether securities regulators should introduce a *mandatory say-on-pay* vote in Ontario. We think that the use of the phrase *mandatory say-on-pay* vote in the Notice creates confusion as to whether such vote would be an advisory vote or a binding vote regarding executive compensation. Some of our members already offer their shareholders the opportunity to have an advisory vote, or say on the approach to executive compensation notwithstanding the fact that this is currently not a requirement in Canada. However, our members continue to believe that the board's compensation committee is in the best position to have a final say on executive compensation, given the expertise of the board's compensation committee on executive compensation matters, coupled with the fact that many companies, including many of our members, hire external compensation experts to assist with these matters. We therefore believe that a binding shareholder vote on executive compensation is not necessary or advisable.

We also note that the say-on-pay requirement the OSC is contemplating seems to encompass golden parachute arrangements. If that is the course the OSC decides to explore, we would be grateful for an opportunity to engage in a consultation on this. Similarly, we look forward to an opportunity to review and comment on the procedural aspects of the shareholder advisory vote process the OSC may be contemplating.

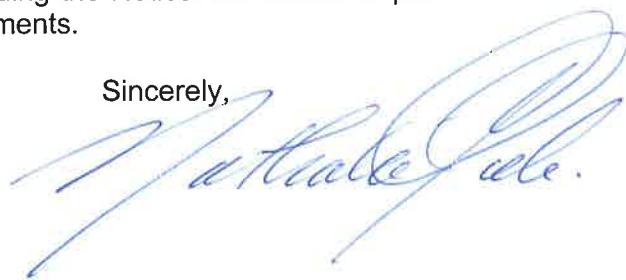
¹ An "uncontested election" means that the number of director nominees for election is the same as the number of director positions on the board of directors.

Effectiveness of Proxy Voting System

The CBA supports the fundamental principles that have been adopted by the Investment Industry Association of Canada as the driving force behind the securityholder communication and voting process in Canada, namely (a) privacy and responsibility, (b) equity and reliability and (c) efficiency and flexibility. On this note, we wish to reiterate our support for the efforts made by the Canadian Securities Administrators (the “**CSA**”) to improve the beneficial owner and registered holder communication procedures in Canada through the proposed introduction of a notice-and-access model for the delivery of proxy-related materials. Subject to several concerns we have with the proposed amendment to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* and Companion Policy 54-101 CP *Communication with Beneficial Owners of Securities of a Reporting Issuer* (the “**Proposed Amendments**”) through which the notice-and-access model for the delivery of proxy-related materials is proposed to be introduced in Canada (these concerns are outlined in our comment letter on the Proposed Amendments to the CSA dated August 31, 2010), we believe that electronic delivery of proxy-related materials to shareholders increases the efficiency and cost-effectiveness of the communication procedure, and makes it more environment-friendly.

We appreciate the opportunity to express our views regarding the Notice. We would be pleased to answer any questions you may have regarding our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Natalie Cole", is written over the word "Sincerely,".