



# Securities Transfer Association of Canada

**William J. Speirs**  
President

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Robert Day  
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Dear Mr. Day

## **Ontario Securities Commission – 2013-2014 Statement of Priorities**

The Securities Transfer Association of Canada ("STAC") welcomes the opportunity to comment upon the OSC's 2013-2014 Statement of Priorities released in draft for comment on April 4, 2013 (the "2013 Draft Statement of Priorities"). STAC is a non-profit association of Canadian transfer agents that amongst others has the following purposes:

- To promote professional conduct and uniform procedures among its members and others;
- To study, develop, implement and encourage new and improved requirements and practices within the securities industry;
- To develop solutions to complex industry-wide problems; and
- To provide a forum and to act as a representative and spokesperson for the positions and opinions of its members, and, where appropriate, its clients and the holders of securities.

STAC members act as mailing agent, proxy tabulator and scrutineer for the substantial majority of shareholder meetings held each year in Canada. As a result, we have a unique vantage point from which to observe and comment upon the effectiveness of the proxy system. As transfer agents, STAC members are directly accountable to the chair of the meeting for scrutineering meetings and the accuracy of the results of tabulating proxies and ballots. In the event of litigation, transfer agent staff is called to account for the integrity of the voting process and the accuracy of the results. In most cases, none of the other participants in the voting process is called upon to attest to the accuracy of their processes.

STAC has taken every opportunity to provide input to the regulatory framework surrounding the voting process and to take part in meetings with the regulators and industry associations to resolve issues.

In light of that, we would like to urge the Commission to repeat in the 2013 Draft Statement of Priorities the stated goal in the 2012 Statement of Priorities with respect to improving the proxy voting system. The specific actions included:

- conducting an empirical analysis to review concerns raised about the accountability, transparency and efficiency of the voting system;
- facilitating discussions amongst market participants on improving the functioning of the proxy system, taking into account the needs and concerns of retail investors; and

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- working with the CSA to review the role of proxy advisers in our capital markets by soliciting feedback from issuers, investors and other market participants.

We know that progress has been made on these issues but feel that their importance warrants inclusion in the Commission's Statement of Priorities until the issues have been fully addressed.

There have been some recent high profile meetings resulting in litigation in the past year which reflect the fact that some of the issues surrounding the voting system still need to be resolved. Commentators are pointing out that we can expect more shareholder activism to bring more attention to the voting process.

#### Reconciliation of Vote Entitlements

Without wishing to pre-empt the discussion of the various issues, STAC would like to repeat its oft-stated view that a key building block in improving the effectiveness of the proxy voting system is more accountability on the part of intermediaries for reconciling their records with respect to voting rights before sending record date files for mailing.

The transfer agent is accountable for:

- Balancing the shareholder register with the issuer's issued and outstanding capital.
- Balancing the depository position on the register daily with the depository to ensure that participant positions match the depository's ledger position.
- Tying proxies received to a position on the register or through the depository so that there is a complete chain from the shares voted to shares on the register.
- Resolving voting discrepancies with intermediaries and others to make sure that beneficial owner's votes can be counted.

We feel that in turn, intermediaries should be accountable for:

- Making sure that the record date beneficial owner file used for the mailing balances with the position they hold in the depository and accounts for items like securities lending.
- Limiting the beneficial owner files to include only beneficial owners who are entitled to vote, i.e. excluding holders in wrap accounts who have delegated their authority to vote.
- giving clear direction to the tabulator through which depository, nominee or intermediary securities being voted are held, and
- ensuring that any omnibus proxy required from an intermediary or depository through whom they hold shares is being filed

We feel that these obligations have been clearly addressed by the Commission in section 4.3 of the Companion Policy 54-101 CP but it would appear that there is still room for improvement. The planned empirical analysis of the voting system would help clarify where the issues lie.

Unless each intermediary's record date position is reconciled to the beneficial ownership data, the depository position and the share register prior to mailing files being created, the integrity of any vote is brought into question. While the voting results may not indicate any problem, e.g. with over-voting, there is no assurance that only those entitled to vote shares were given the right to vote or, conversely that two beneficial owners were not voting the same shares.

STAC thanks the staff of the OSC for all their efforts to improve the proxy voting system in Canada and reconfirms its commitment to take an active role in supporting that initiative.

We would be glad to discuss these comments and provide additional feedback as the OSC continues its efforts in the evolution of the proxy voting system.

Yours truly,



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