

BLACKROCK

November 13, 2013

Submitted via email

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

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RE: CSA Consultation Paper 54-401 – *Review of the Proxy Voting Infrastructure*

Dear Sir or Madam,

BlackRock, Inc. (“BlackRock” or “we”) is pleased to have the opportunity to respond to the CSA Consultation Paper 54-401– *Review of the Proxy Voting Infrastructure* (the “Consultation Paper”).

BlackRock is committed to engaging with companies and voting proxies in the best long-term economic interests of its clients. Our Corporate Governance and Responsible Investment (“CGRI”) team comprises 19 professionals dedicated to proxy voting and company engagement in six offices around the globe. Additionally, approximately 40 senior investment professionals across our global offices oversee and guide the work of the CGRI team. BlackRock votes at approximately 15,000 shareholder meetings annually, across 90 countries, in accordance with our internally-developed proxy voting guidelines.

BlackRock Asset Management Canada Limited (“BlackRock Canada”), an indirect wholly-owned subsidiary of BlackRock, is registered as a portfolio manager, investment fund manager and

exempt market dealer in all the jurisdictions of Canada and as a commodity trading manager in Ontario. BlackRock's CGRI team votes at approximately 650 shareholder meetings in Canada annually. BlackRock Canada is a member of the Canadian Coalition for Good Governance ("CCGG"), a group of 46 institutional investors with nearly CAD \$2 trillion assets under management that is dedicated in part to promoting good governance practices in Canadian public companies. As of September 30, 2013, BlackRock Canada had assets under management of approximately CAD \$137 billion.

In this letter, we provide our views on those issues identified by the Canadian Securities Administrators ("CSA") staff in the Consultation Paper that we believe to be most pertinent to BlackRock and its clients. We believe that the concepts of voting rights in the context of share lending, end-to-end vote confirmation, and the impact of the OBO/NOBO (as defined below) system on the proxy voting process are of particular relevance to the proxy voting activities that we conduct as an asset manager on behalf of our clients. Please find below our responses to specific questions on these topics posed in the Consultation Paper.

5.1.1 Q7. Which party (the lender or the borrower) should have the right to vote in a share lending transaction? Should securities regulators specifically address which party to a share lending transaction should have the right to vote?

BlackRock acts as securities lending agent for a number of clients, such as pensions and mutual funds, for whom it is also authorized to vote proxies. We agree with the Consultation Paper that share lending generally results in investors retaining economic exposure to lent shares without corresponding voting rights. We further believe that custodian banks typically subtract shares on loan when calculating voting entitlements in order to minimize the risk that a lent share may be voted by both the lender and whoever is the owner as of record date.

When securities are on loan, in most cases we believe that the value of casting votes is less than the value of the securities lending income to our clients, either because the votes will not have significant relative economic consequences or because the outcome of the vote would not be affected by BlackRock voting recalled securities. In cases where the proxy vote may have potentially more value than the lending revenue, we may recall the loans to facilitate the vote. We believe that other institutional securities lenders have similar policies which rely upon a determination of the best economic interest of the client to trigger a lending recall.

We believe that the owner of the security in a share lending transaction (i.e., the downstream purchasers from the borrower) should continue to have the right to vote. Any attempt to separate proxy voting rights from ownership of the security could have serious and unforeseen implications for the proxy voting process and would require new rules and new systems to be put in place to track these separate rights. We do not believe this to be a major priority, especially considering the increasing practice of lending recalls to facilitate proxy voting.

5.2 Q2. What functionality should be part of an end-to-end vote confirmation system? For example, should voter anonymity be built into the functionality, or is disclosure of voter identities necessary for an effective system? At what point in the proxy voting process should investors receive confirmation as to whether their vote will be accepted, and at what level, e.g., at an intermediary level or at an investor account level?

BlackRock supports the concept of end-to-end vote confirmation. Vote confirmation would provide comfort that all votes, even those processed outside of the dominant processes or cleared outside of Canada, are captured correctly. This is particularly important given that exceptions may result during the tabulation process between the Canadian Depository for Securities Limited ("CDS") and the tabulator, and the market does not currently have

sufficient transparency into the resolution of those exceptions. Vote confirmation would provide additional confidence that these exceptions were rectified appropriately.

Proxy voting is perhaps the only corporate action where investors do not receive some form of confirmation that elections have been processed in accordance with the instructions. For other corporate actions, investors are usually able to confirm the event has occurred as instructed such as, for example, in the case of stock splits or dividends. Vote confirmation will therefore help to foster investor confidence by aligning proxy voting with other types of similar corporate events.

Not all markets employ the same level of technology and automation in the voting process. In light of the international scope of investment activities and the parallel international structures for proxy voting, we strongly recommend that any vote confirmation mechanism proposed in Canada be harmonized with international standards, to the extent possible, in order to facilitate ease of implementation globally. The International Standards Organization (“ISO”) has facilitated the development of a series of standardized messages that, if used end-to-end throughout the market by each participant, could result in a straight-through process with end-to-end confirmation. These types of global solutions that employ technology for automation and control are, in our opinion, the next frontier for the proxy voting process. As such, we encourage the CSA to work with regulators in other markets to encourage the successful adoption of common global standards.

6.1 Q1. Are there any specific instances where the existence of the OBO-NOBO concept has compromised the accuracy and reliability of proxy voting?

Canada does not currently have a standardized proxy voting entitlement, distribution and processing system. A troubling result of the lack of standardization is the differing treatment of investors who do not reveal their identity to issuers (Objecting Beneficial Owners, “OBOs”) and investors who have made their identity known to issuers (Non-Objecting Beneficial Owners “NOBOs”).

Under National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”), Canadian issuers bear the cost of proxy materials distribution to NOBOs. Issuers contact NOBOs in whatever manner the issuer deems appropriate (methods include fax, email and mail), whereas OBOs are generally contacted through their custodians via an established intermediary, such as Broadridge, around which many investors have well-tested controls. We believe that investors would benefit from the establishment of a standardized proxy voting processing system that takes into account the global scope of many investors’ shareholdings and that utilizes established intermediaries that are positioned to implement such a standardized system.

6.1 Q2. Would temporarily allowing issuers and official tabulators access to the identity of OBOs for purposes of tabulation improve the reliability and accuracy of proxy voting? Would it make the reconciliation process more effective? Would this prejudice investors?

We would support allowing temporary access to the identity of OBOs to issuers and official tabulators if this access would improve the reliability and accuracy of proxy voting and if this could be accomplished while minimizing the possibility of proprietary trading data being released. However, beneficial owner information should be disclosed only at the level of the entity holding the vote authority. Many investment managers hold delegated vote authority over the assets in their clients’ accounts; it would not be appropriate to require disclosure of the client’s identity when the client has delegated vote authority to their investment manager.

Investors have a legitimate privacy interest in their identity and holdings. Although the current OBO/NOBO system provides OBOs with certain privacy benefits, we do not believe

that it has been entirely successful for Canadian investors as a whole, as noted in our responses herein. However, in our view, requiring full disclosure of the identity of institutional investors – whose positions in a security may have market-moving influence – would be inappropriate. It is vital that any reform of the NOBO/OBO system incorporate relevant privacy provisions and constraints on the use of the data in order to protect fund investors from the risk that competitor funds might use one another's trading information to the detriment of investors. Further, regulations permitting temporary access to the identity of OBOs would need to impose restrictions on the use of beneficial ownership data by third parties receiving such information in order to prevent abuse.

Based on our experience engaging with various industry participants, there seems to be a tradeoff between confidential voting and enabling intermediaries to conduct end-to-end vote confirmation. Further, as we continue to observe increasing engagement globally between investors and issuers on corporate governance and proxy voting issues, the relevance of confidential voting may be diminishing as a consequence.

In sum, we believe that it is possible to balance investors' need for privacy with the reasonable needs of regulators and intermediaries to improve the accuracy of the proxy voting system in Canada. Assuming that beneficial owner information would indeed assist intermediaries with vote tabulation and reconciliation, a regime that only permitted the release of beneficial owners' identifying information in tightly limited circumstances could potentially deliver the benefits of an improved proxy voting system, without unduly compromising investors' privacy interests.

BlackRock appreciates the opportunity to address and comment on the issues raised by this Consultation Paper. We are prepared to assist the CSA in any way we can, and welcome continued dialogue on these important issues. Please contact us if you have any comments or questions regarding BlackRock's view.

Yours faithfully,

Chad Spittler
Managing Director
Corporate Governance and Responsible Investment

BlackRock is a leader in investment management, risk management and advisory services for institutional and retail clients worldwide. As of September 30, 2013, BlackRock's AUM was US\$4.096 trillion. BlackRock offers products that span the risk spectrum to meet clients' needs, including active, enhanced and index strategies across markets and asset classes. Products are offered in a variety of structures including separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®.

Our client base includes corporate, public funds, pension schemes, insurance companies, third-party and mutual funds, endowments, foundations, charities, corporations, official institutions, banks and individuals. BlackRock attempts to act as a voice for our clients and to communicate to policy makers the impact of proposals on the end investor. BlackRock supports regulatory reform globally where it increases transparency, protects investors, facilitates responsible growth of capital markets and, based on thorough cost-benefit analyses, preserves consumer choice.

BlackRock Asset Management Canada Limited ("BlackRock Canada") is a member of the Canadian Coalition for Good Governance ("CCGG") and a number of national industry associations reflecting our global activities and reach.