



November 13, 2013

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities 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

C/O: Anne-Marie Beaudoin, Corporate Secretary
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consultation-en-cours@lautorite.qc.ca

The Secretary
Ontario Securities Commission
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comments@osc.gov.on.ca

Dear Sir/Madam,

Re CSA Consultation Paper 54-401 Review of the Proxy Voting Infrastructure

RBC Global Asset Management (RBC GAM) thanks the CSA for the opportunity to provide comments on the Consultation Paper 54-401 Review of the Proxy Voting Infrastructure (the "Consultation Paper").

RBC GAM takes our responsibility to vote proxies on behalf of our clients seriously. We believe that an effective proxy voting system is essential to protecting the rights of shareholders and the efficient functioning of the capital markets. As such, we are encouraged by the CSA's initiative to examine areas of concern within the current system and identify potential solutions.

We have divided our comments on the Consultation Paper into three sections. First, we have outlined the features we would like to see incorporated into the proxy voting system as a result of this review process. Second, we offer a recommendation for a centralized proxy processor which we believe may address many of the issues the CSA has identified. Finally, we offer some general comments on the CSA's role in reforming the proxy voting infrastructure.

Desired Outcomes from Proxy Voting Reform

RBC GAM does have specific concerns with the current system, many of which have been identified in the Consultation Paper. The complexity of the system and the number of different participants within it are the cause of most, if not all, of the problems. The following is a list of features and capabilities the proxy voting infrastructure should incorporate in order to address these concerns. These outcomes will require either a regulatory change or a change to the systems and processes, and in some instances both.

- **Require end-to-end Vote Reconciliation and Confirmation**
As you have identified in the Consultation Paper, the lack of end-to-end vote reconciliation and confirmation in the current system is one of the most common concerns and perhaps one of the most challenging to solve. However, if shareholders are to have confidence in the proxy voting infrastructure, implementing end-to-end vote reconciliation and confirmation is essential.
- **Eliminate Overvoting**
We suspect that most meetings in Canada have a small but significant portion of votes cast by shareholders who do not have the right to vote at the meeting. However, overvoting is usually only detected when there is a contested or controversial meeting where a high proportion of shareholders vote which is, of course, when it is most important for the vote to be conducted accurately. Any reform of the system should eliminate the potential for any type of overvoting. We expect that end-to-end reconciliation will at least in part address this issue.
- **Preserve Confidential Voting**
RBC GAM believes that shareholders should have the ability to vote their shares confidentially if they choose to do so. The current OBO/NOBO system facilitates this to a degree. While there may be ways to improve or simplify the OBO/NOBO system, we strongly recommend that any reforms preserve the ability of shareholders to vote confidentially.
- **Clarify Rules Around Securities Lending and Proxy Voting**
As you have identified in the Consultation Paper, securities lending introduces some complexities and inefficiencies into the proxy voting system. A significant proportion of the overvoting we surmise is a result of securities lending. RBC GAM recommends that voting rights remain with the lender just as other rights, such as dividends, remain with the lender. We recognise that this may present certain challenges, but we believe this change will improve the integrity of the proxy voting system. For example, it will help to prevent a borrower from manipulating the voting system by borrowing securities on the record date to amass votes and improperly influence the outcome of a shareholder meeting.

- **Facilitate Voting in Person at Shareholder Meetings**

This issue was not included in the Consultation Paper, but RBC GAM believes it should be addressed. The current system allows voting in person at shareholder meetings but the system is cumbersome, requires significant lead time and there is no guarantee that votes made in person will be counted. Shareholders (particularly institutional shareholders), may want the ability to delay their vote until the meeting day and/or vote on new business that might arise at the meeting. Proxies often confer discretionary authority to the person named in the proxy (usually the meeting chair) and there is the potential for this discretionary authority to be exercised in respect of “other business” presented at the meeting. A system that facilitates the ability to easily vote in person at shareholder meetings will provide shareholders with additional flexibility.
- **Limit the Discretion of the Meeting Chair**

RBC GAM is concerned with the degree of discretion currently given to the chair of a shareholder meeting to accept or reject a vote. The vote tabulator has some guidance on how votes should be reconciled, but the meeting chair has significant discretion. If votes are improperly rejected by the meeting chair, the only recourse for a shareholder is often the courts. If the CSA goes to the expense and effort of reforming the proxy voting infrastructure, it is counterproductive to allow the system to be compromised when the votes are tabulated. The CSA should establish clear rules to determine when a proxy can be excluded from the final count and require issuers to disclose the number of votes that were disallowed and the reason why they were not counted.

The Case for Centralized Proxy Voting

One possible solution for many of the problems with the current proxy voting infrastructure would be to establish some kind of centralized clearinghouse for proxy voting in Canada that would perform a similar function for proxy voting that CDS performs for the clearing of trades in the public markets. This organisation (let’s call it Canadian Proxy Services or CPS) would act as a central, two-way clearinghouse for the proxy voting system in Canada. CPS would maintain the list of beneficial shareholders for each meeting and issue ballots to intermediaries and shareholders. Those ballots would then flow back through CPS to be tabulated and ultimately forwarded to the issuer.

A centralized clearinghouse would provide a framework to address some of the inefficiencies in the system caused by securities lending and restricted proxies. In addition, maintaining a centralized shareholder list could help eliminate overvoting and address some of the issues we have seen with the OBO/NOBO system. The CPS would have access to beneficial owner information for the complete shareholder list (which will facilitate end-to-end vote confirmation and reconciliation) but would act as a filter between the issuer and the shareholder by only providing NOBO information to the issuer. This would preserve the confidentiality of the OBO’s while also maintaining a complete and verifiable shareholder list.

CPS would perform many of the functions currently performed by CDS and Broadridge and creating it (or something similar to it) might be achieved by expanding the role of one of these entities. While creating a CPS would be a fundamental change that would have to be led by the CSA, it should be considered.

The Role of the Regulators

RBC GAM has preferred a principles-based approach to reforms and regulation in other areas of corporate governance in Canada. However, we believe that meaningful reform of the Canadian proxy voting infrastructure will require a more prescriptive approach to establish clear rules for voting and sanctions for violating them. As more matters are subject to a shareholder vote and shareholders ascribe more value to their vote, the integrity and accuracy of the proxy voting process is a critically important part of good corporate governance and the integrity of the Canadian capital markets.

We recommend that the CSA take the lead in reforming the proxy voting process. Given the diverse range of stakeholders, the complexity of the system and the nature of the issues that need to be addressed, limited or uncoordinated reforms have the potential to further fracture the system. The CSA should embrace the opportunity to make bold, fundamental changes to the system for the benefit of shareholders, issuers, and the Canadian capital markets

Thank you again for the opportunity to provide comments on this very important issue. If you have any questions regarding the above please feel free to contact me at 416. 974.4587 or via email at dan.chornous@rbc.com.

Yours very truly,

A handwritten signature in blue ink that reads "D. Chornous / mw". The signature is written in a cursive, flowing style.

Daniel E. Chornous, CFA
Chief Investment Officer
RBC Global Asset Management