

July 12, 2016

BY EMAIL

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Ontario Securities Commission
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Me Anne-Marie Beaudoin, Corporate Secretary
Autorité des marchés financiers
800, rue du square Victoria, 22e étage
C.P. 246, tour de la Bourse
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Consultation-en-cours@lautorite.qc.ca

and

Robert Blair, (Acting) Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Dear Sirs/Mesdames:

Re: CSA Multilateral Staff Notice 54-304 Final Report on Review of the Proxy Voting Infrastructure and Request for Comments on Proposed Meeting Vote Reconciliation Protocols (the “Protocols”)

The Canadian Advocacy Council¹ for Canadian CFA Institute² Societies (the CAC) appreciates the opportunity to provide the following general comments on the Protocols.

¹The CAC represents more than 15,000 Canadian members of the CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at <http://www.cfainstitute.org/cac>. Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

² CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 135,000 members in 151 countries and territories, including 128,000 CFA charterholders, and 145 member societies. For more information, visit www.cfainstitute.org.

The CAC appreciates the diligence staff have taken to be responsive to issues raised by market participants with respect to the proxy voting reconciliation process. The CAC is supportive of regulatory measures designed to provide additional information and increase transparency in the capital markets. We agree that the CSA is in the best position to address the concerns raised, particularly with respect to the problem of over-voting, where the number of proxy votes submitted exceeds the number of vote entitlements as calculated by the tabulator.

We understand that the proposed Protocols are intended in part to espouse responsibilities for intermediaries, CDS, Broadridge and transfer agents in order to enhance accuracy of the vote reconciliation process. We agree that additional guidance is necessary with a view to closing the information and communication gaps that contribute to over-voting situations. It would be particularly helpful for the tabulator to have additional direction on establishing the number of votes that can be submitted by each intermediary and how to obtain missing vote entitlement information.

While guidance on enhanced communication with respect to vote entitlement information is helpful, the Protocols do not appear to directly address the issue that intermediaries may not have consistently accurate records relating to vote entitlements at the outset of the process, resulting in inaccurate information being communicated to the meeting tabulator. We understand that recordkeeping practices involving transactions such as securities lending contributes to the inaccuracy of voting entitlement records at the intermediary level. If securities in a securities lending pool are fungible, with the result that intermediaries cease to keep track of beneficial ownership rights for securities in the pool, both lenders and borrowers may end up trying to vote the same securities. While the Protocols indicate that intermediaries are expected to have processes to ensure the meeting tabulator has complete and accurate vote entitlement information, there is no specific requirement or guidance with respect to maintaining accurate beneficial ownership information with respect to voting entitlements for securities held in securities lending pools, margin accounts, and other such arrangements. It is necessary for all parties involved in the proxy voting process to maintain accurate records throughout the ownership change process in order for the communication guidelines in the Protocols to be most effective.

The issues related to securities lending and other securities financing transactions have also been identified in Europe, and will be addressed in part through the Regulation on Transparency of Securities Financing Transactions. The regulation aims to improve the transparency of these transactions, by requiring the reporting of securities financing transactions to a trade repository, the disclosure of risks to clients and the prior consent of clients before the reuse of collateral. It is likely that holders of securities do not fully understand what happens to their voting entitlements once their securities are used in this fashion, and additional information and tracking through measures such as those adopted in Europe should help to ensure that intermediaries have the correct voting entitlement information to communicate through to the meeting tabulator.

In addition, all key entities involved in the meeting vote reconciliation process should be designated as “market participants” under applicable securities legislation in order to provide securities regulatory authorities with greater authority and access to records and enforcement options.

We understand the CSA intends to monitor the voluntary implementation of the Protocols. We believe it would be helpful for the final Protocols to indicate explicitly that if the accuracy of the

vote reconciliation process does not improve in the 2017 proxy season that the Protocols, and potentially additional rules, will become mandatory.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have or to meet with you to discuss these and related issues in greater detail. We appreciate the time you are taking to consider our points of view. Please feel free to contact us at chair@cfaadvocacy.ca on this or any other issue in future.

(Signed) *Michael Thom*

Michael Thom, CFA
Chair, Canadian Advocacy Council