



Via Email

November 21, 2013

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*

Dear Sir or Madam:

Thank you for the opportunity to comment on the Canadian Securities Administrators' Review of Proxy Voting Infrastructure.¹ I am writing to you on behalf of the Council of Institutional Investors ("CII"). Founded in 1985, CII is a Washington, DC based nonprofit, nonpartisan association of public, corporate and union employee benefit plans, foundations and endowments with combined assets that exceed \$ 3 trillion.

¹ CSA Consultation Paper 54-401, http://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20130815_54-401_proxy-voting.pdf. (Consultation Paper).

Our members are large, long-term shareowners responsible for safeguarding the retirement savings of millions of American workers.² Our perspectives with respect to issues raised in the Consultation Paper are as follows:

Vote reconciliation

Many CII members engage in securities lending to reduce custodial fees and provide supplemental income to their portfolios. Voting rights ascribed to loaned shares generally transfer to the borrower. If the lender wishes to cast a vote for a particular meeting, the lender must terminate the loan and recall the shares before the meeting's record date.

The widespread practice of securities lending underscores the critical importance of an effective vote reconciliation system. CII also supports regulatory reform that would allow shareowners to make better informed decisions regarding whether to recall loaned shares. As established in the Council's Corporate Governance Policies, such an approach should include two key principles: (1) shareowner meeting record dates should be disclosed as far in advance as possible, and (2) proxy statements should be disclosed before the record date passes whenever possible.³

End-to-end vote confirmation

CII's Statement on Principles for an Effective and Efficient Proxy Voting System states that votes properly cast should be correctly tallied, and a proxy voting system should provide for end-to-end confirmation enabling both companies and shareholders to confirm that votes properly cast were included in the final tally as directed.⁴

The complexity of the voting chain must not impede the fundamental integrity of our proxy voting system. CII has previously supported and continues to support the exploration of the advantages and disadvantages of creating unique identifiers for each beneficial owner. At the same time, we welcome efforts by service providers to make confirmation solutions widely-available regardless of the voting platform or tabulator employed.

OBO/NOBO

CII does not have an official position on the system of objecting beneficial owners and non-objecting beneficial owners (OBO/NOBO). However, in 2010 CII commissioned an external study examining the OBO/NOBO distinction and its implications.⁵ The study observes that "the immediate interest of shareowners and companies in better communications would be better and more effectively served with an incremental

² For more information about CII and its members, please visit CII's web site at http://www.cii.org/about_us.

³ See Section 4.3 of CII's Corporate Governance Policies, available at <http://www.cii.org/policies>.

⁴ CII's statement on proxy voting is available at http://www.cii.org/policies_other_issues#effective_proxy_voting.

⁵ The OBO/NOBO Distinction in Beneficial Ownership: Implications for Shareowner Communications and Voting, by Alan L. Beller and Janet L. Fisher, available at: http://www.cii.org/files/publications/white_papers/02_18_10_obo_nobo_distinction_white_paper.pdf.

approach that supports less reliance on – or eliminates altogether – the OBO/NOBO distinction and otherwise increases the potential for direct communications.”⁶

The study identifies two steps to promote greater transparency around shareowner lists and opportunities for direct communications by shareowners and companies:

- 1) Eliminate the OBO/NOBO distinction through “a phased implementation starting with a mandate to make NOBO the default status for customer accounts, with full disclosure about the consequences of selecting OBO status. Election of OBO status could be coupled with a charge to defray the costs of maintaining a platform to support OBO status. Eventually, the OBO/NOBO distinction could be eliminated, with customers able to preserve their anonymity through nominee accounts...”⁷
- 2) Relax restrictions on the ability of companies and shareowners to distribute proxy materials and solicit proxies directly, and streamline the process for both companies and shareowners to obtain shareowner lists.

Accountability of service providers

CII agrees that issuers and investors rely heavily on service providers to navigate the proxy voting infrastructure. We, therefore, believe that it is critical to investor confidence that those service providers are accountable and operate in an impartial manner.

Unfortunately, in recent months we have become aware of several practices of service providers that raise serious issues about their lack of impartiality and accountability. We described those practices and concerns in a May 17, 2013 letter to U.S. Securities and Exchange Commission Chairman Mary Jo White.⁸ As we indicated in that letter, we strongly support the need for an examination of whether further regulation and oversight is necessary to “promote greater accountability of, an impartiality by” the service providers that participate in the proxy voting system.⁹

We appreciate the opportunity to respond to the Consultation Paper. If you should have any questions regarding this letter, please do not hesitate to contact me at 202.261.7097 or glenn@cii.org.

Sincerely,



Glenn Davis
Director of Research

⁶ *Id.* at 2.

⁷ *Id.* at 20.

⁸ Letter from Ann Yerger, Executive Director, to The Honorable Mary Jo White, Chairman 2 (May 17, 2013), http://www.cii.org/files/issues_and_advocacy/correspondence/2013/05_17_13_CII_Letter_Regarding_Proxy_Distributors.pdf.

⁹ *Id.* at 1.