

Securities Transfer Association of Canada

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PROXY VOTING INFRASTRUCTURE REVIEW SESSIONS

Representatives from the Securities Transfer Association of Canada have recently taken part in these sessions hosted by the Securities Commissions in Alberta, British Columbia and Ontario. We were pleased to be part of the open discussion in each venue and look forward to participating in further discussion to resolve the issues raised.

We appreciated the opportunity to provide information and statistics with respect to the voting processes undertaken by Transfer Agents as tabulators, and the frequency of voting discrepancies. As we have indicated in subsequent discussions, we are willing to gather and provide additional analysis and statistics to the extent possible while respecting client and intermediary confidentiality.

Quality of the Vote and Integrity of the Vote Process

One key point we would like to stress is that over voting only comes to light once all of the holdings for a given financial institution are exceeded. This is after the vote tabulator takes into account registered shareholdings and shares held by sub-custodians or other financial institutions. Even if there is no over-voting evident in the final tabulation, our members believe that the shareholdings of those investors that are entitled to vote but chose not to, conceal the

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over-voting of others. Given the high percentage of discrepancies and the vote tabulators inability to see behind the Objecting Beneficial Owner (OBO) barrier, there is little statistical comfort or assurance that issuers can fully rely on the final tabulation. This calls into question the integrity of the entire voting process. Our concern is that identified over voting is only the tip of the iceberg.

The continued occurrence of overvoting indicates that there are still reconciliation issues with respect to the files being used by the intermediaries to create the voting records of beneficial shareholders. We believe that issues such as lending agreements should be addressed. If a lending agreement allows the lender to retain the vote, however the borrower receives a Voting Instruction Form, the borrower clearly and understandably assumes that they have the right to vote those securities. We believe it would be helpful to examine the reconciliation processes used by the intermediaries prior to voting files being created. It is difficult, if not impossible, to reconcile records after proxies and voting instruction forms have been sent out, and are being voted by, holders who may not be entitled to vote.

End to End Vote Confirmation

The suggestion of end-to-end voting confirmation was raised at each session and we believe that it would be a relatively straightforward process to implement. We could provide confirmation that votes have been received and tabulated as delivered. If a confirmation cannot be provided, an exception report would be provided. However, our members maintain that the implementation of an end-to-end voting confirmation process must be built upon the foundation of reconciled voting files; they must be reconciled as at record date and only contain the voting records of those entitled to vote. Reconciling all voting files before distributing the proxies will highlight discrepancies, and ensure that these discrepancies are rectified; the subsequent presentation of proxies by financial institutions and their beneficial holders will be properly recorded for the meeting, and all votes cast will be given their proper weight.

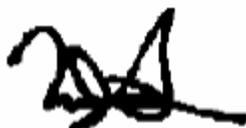
As some participants at the session noted, and we fully agree, there are two inherent challenges in reconciling the voting records as at record date. The first is reconciling the voting files without having access to the OBO data. The second relates to the treatment of voting rights for securities that are part of a security lending program, specifically the treatment of retail investors with margin accounts.

We encourage our membership, representatives of the intermediaries and their service providers to begin to design an End-to-End Confirmation process, and believe this should be done under the auspices of the Canadian Securities Administrators. The process can be developed while the Commissions continue to analyze the current quality and integrity of the voting process and address identified gaps.

May 8, 2014

In closing, we would like to acknowledge the excellent and impartial work of the Commissions in understanding and describing the current process and its inadequacies. We also commend the staff of the Commissions and the session participants for their frank discussion and for creating the momentum for all participants to work together and seek practical solutions to rectify the key issues before us.

Yours truly,



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