



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

December 22, 2010

Securities and Exchange Commission  
100 F Street, NE Washington DC 20549-1090  
Email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)  
Attention: Ms. Elizabeth Murphy

Re: Concept Release on the US Proxy System – File Number S7-14-10

Dear Ms. Murphy:

This submission is made by the Pension Investment Association of Canada (“PIAC”) in reply to the concept release and request for comments published on July 14, 2010 by the Securities and Exchange Commission (the “SEC”) on various aspects of the U.S. Proxy System (the “Concept Release”).

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$940 billion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

PIAC's members take proxy voting very seriously and we commend the SEC for undertaking a comprehensive review of the proxy voting and shareholder communications system in the Concept Release. We agree with the SEC's focus on the accuracy, reliability, transparency, accountability, efficiency and integrity of the voting process. We have provided comments in respect of the questions or issues where we felt that investors' perspective might be helpful.

#### Over-Voting and Under-Voting

We agreed that given the lack of empirical data on whether over-voting and under-voting are occurring and if so, to what extent, it would be beneficial for the SEC to collect additional data on the issue before determining whether further regulatory action is required. At a minimum, broker-dealers should be required to disclose their allocation and reconciliation processes.

### Vote Confirmation

Although, based on our members' experiences, votes are for the most part accurately transmitted and tabulated, due to the lack of vote confirmation we cannot say this with certainty and there are certainly instances where votes are not transmitted accurately. We believe that providing confirmation that votes properly reflect the instructions of beneficial owners is fundamental to the SEC's goal of enhancing the accuracy and integrity of the shareholder vote. The system created for this purpose should, if possible, preserve the anonymity of beneficial owners. The Concept Release suggests one possible solution would involve assigning a unique identifying code to each beneficial owner, "which could be then be used to create an audit trail from beneficial owner to proxy service provider to transfer agent/vote tabulator." We believe that such a system is technologically feasible and can improve the integrity of the voting process while protecting the identity of beneficial owners.

### Proxy Voting and Securities Lending

As noted in the Concept Release, the inability to obtain information about meeting agendas in a timely manner poses a significant obstacle to recalling securities on loan for voting purposes. Further advanced notice of the record date would be very helpful. We would also support a rule requiring issuers to disclose publicly the meeting agenda sufficiently in advance of the record date to permit securities lenders to determine whether any of the matters warrant a termination of the loan so that they may vote their proxies. Given the notice provisions under typical securities lending agreements, 15 days would constitute sufficient notice. In the event that shareholder proposals are subject to a request for no-action relief, we believe that it would be acceptable for issuers to publish an agenda that is "subject to change".

### Issuer Communications with Shareholders

While we don't believe the current rules inappropriately inhibit issuers from effectively communicating with investors and believe proxy materials are being received by OBOs in a timely manner, we would be open to a NOBO default choice and disclosure of all beneficial owners limited to information as of the record date of a shareholder meeting (an "annual NOBO system").

### Data Tagging

We believe that data tagging offers a number of benefits and support measures allowing issuers to provide their proxy statement and voting information in an interactive data format. Data tagging would facilitate the automation of data handling, eliminating the time-consuming and error-prone process of manually re-entering data for analytical purposes that is currently used. To the extent that proxy-related analysis is dependent on the accuracy of proxy statement information, data tagging will lead to more informed voting decisions to the benefit of all market participants.

### Role of Proxy Advisory Firms

We disagree with the notion that proxy advisory firms are controlling or significantly influencing shareholder voting without appropriate oversight or accountability. Proxy advisory firms are an efficient and cost effective way for institutional investors with a large number of investments to obtain research, analysis and vote processing to assist them with their proxy voting. While proxy advisory firms provide vote recommendations, it is ultimately

the investors hiring the proxy advisory firms that have control over the vote and the advisory firm is accountable to its clients. As noted in the Concept Release, the advisory firms owe a fiduciary duty to their clients; while we would not be opposed to a registration requirement, we do not believe it is necessary to impose additional regulation on proxy advisory firms.

We do feel that the practice of providing voting recommendations on matters put to a shareholder vote while also offering consulting services to the issuer on the very same matters creates a potential conflict of interest for proxy advisory firms. To date, we are unaware of any evidence suggesting recommendations have been tainted as a result of providing both proxy advisory and consulting services. However, we believe that generic disclosure statements are inadequate and proxy advisory firms should make specific disclosure regarding the presence of a potential conflict of interest.

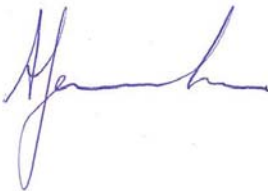
#### Empty Voting

Given that it is unclear how large a problem empty voting is, we agree with the SEC's approach in gathering additional information prior to imposing any regulatory changes. The current proxy voting system is not based on economic exposure and to prohibit voting if an investor does not have economic exposure but not provide for it when an investor does have economic exposure but does not beneficially own the security in question (which does not seem feasible) appears problematic. Although disclosure by investors who acquire substantial voting rights and by insiders of any transaction which affects their economic exposure is useful information (which is already available), it is unclear how helpful or how burdensome it would be to require all investors to disclose if they have economic exposure when they vote.

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We appreciate this opportunity to comment on the Concept Release. Please do not hesitate to contact Stephanie Lachance, Chair of the Corporate Governance Committee (514-925-5441; [slachance@investpsp.ca](mailto:slachance@investpsp.ca)), if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,



Algis Janusauskas  
Chair