



Sheila A. Murray
*Executive Vice-President,
General Counsel and Secretary*

2 Queen Street East, Twentieth Floor
Toronto, Ontario M5C 3G7
T: 416-681-1731
F: 416-365-0501
E: smurray@ci.com

Delivered by Email

July 23, 2014

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention: Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal, (Québec) H4Z 1G3
Fax: 514-864-6381
Email: consultation-en-cours@lautorite.qc.ca

-And-

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
Email: comments@osc.gov.on.ca

Dear Sirs and Mesdames:

**RE: CSA Notice and Request for Comment – Proposed National Policy 25-201
Guidance for Proxy Advisory Firms**

Thank you for the opportunity to provide comments on the CSA's Proposed National Policy 25-201: *Guidance for Proxy Advisory Firms* (the "Proposed National Policy").

CI is a diversified wealth management firm and one of Canada's largest independent investment fund companies. The principal business of CI is the management, marketing, distribution and administration of mutual funds, segregated funds, structured products and other fee-earning investment products for Canadian investors.

CI is expressing comments on the Proposed National Policy both as an issuer and as an institutional investor. As a public company, voting recommendations have been issued by Proxy Advisory Firms in respect of meetings of CI Financial Corp. shareholders. In addition, CI is an institutional investor through its management of over 200 mutual funds. At June 30, 2014, CI had assets under management of \$ 99.9 billion. CI's portfolio managers have voted at more than 1,200 shareholder meetings during the past twelve months.

On September 21, 2012, I submitted a letter on behalf of CI Financial Corp. and its subsidiaries ("CI") in response to the CSA Consultation Paper concerning this matter. In that letter we expressed our strong recommendation that Proxy Advisory Firms be subject to securities regulatory oversight in light of their substantial influence on the capital markets and corporate governance matters. We do not believe that the Proposed National Policy's guidance-based approach for Proxy Advisory Firms addresses the serious concerns which we raised in that letter and do not expect that they will result in any meaningful improvement in either transparency or accountability.

Response

The CSA determined in the Proposed National Policy that a guidance-based approach to Proxy Advisory Firms constitutes a "sufficient and meaningful response" to the initial consultation process. In making its determination, the CSA stated that it preferred a guidance-based approach for Proxy Advisory Firms to: 1) protect the private contractual relationship between Proxy Advisory Firms and their clients; 2) establish a Canadian approach consistent with international initiatives; and 3) protect proprietary and commercially sensitive information belonging to Proxy Advisory Firms.

CI appreciates the CSA's concerns outlined above. However, we strongly believe that prescriptive regulatory oversight is required to maintain the integrity of the Canadian capital markets and the proxy voting process, despite any potential impact that may result from the regulation of Proxy Advisory Firms.

CI believes that in trying to strike a balance among market participants, the Proposed National Policy disproportionately safeguards the interests of Proxy Advisory Firms at the expense of providing adequate protection to both issuers and institutional investors. We submit that the CSA must give greater priority to the interests of issuers and institutional investors when determining how to regulate Proxy Advisory Firms. Since Proxy Advisory Firms provide services that can fundamentally impact the capital markets, these Firms should be subject to regulatory oversight like other major market participants.

We have detailed below four specific securities regulatory measures that we believe will better protect issuers and institutional investors.

1. Providing a Draft Report

CI strongly believes that Proxy Advisory Firms should be required to provide their draft report to issuers at least five business days prior to the scheduled publication of the report and include any issuer comments or responses received from the issuer in the final report. A timeframe of five business days gives issuers an opportunity to review the draft report and respond

accordingly. Including an issuer's response to Proxy Advisory Firm recommendations will give context to reports and ensure that all parties involved are in a better position to assess the veracity of the voting recommendations. This measure will also improve issuer engagement and the credibility of Proxy Advisory Firm recommendations, while ensuring that final reports are accurate and consistent.

2. Disclosing the Basis for Recommendations

CI feels that Proxy Advisory Firms should be required to clearly explain the basis for their recommendations. In our experience, Proxy Advisory Firms follow unwritten rules and it is difficult for issuers to fully comprehend the basis for the recommendations. In addition, requiring Proxy Advisory Firms to disclose the basis for their recommendations, including any standards that have been applied, will improve the transparency and accountability of reports. This measure may limit, or at a minimum reveal, instances where a Proxy Advisory Firm is not fully informed or has failed to consider whether the long term implications of a recommendation are truly in the best interests of shareholders.

3. Disclosing Any Applied Standards

CI is concerned that Proxy Advisory Firms operating in Canada are applying a rigid set of guidelines many of which have been developed for the American market. Standards adopted by Proxy Advisory Firms must be clearly articulated and publicly disclosed. This requirement will discourage Firms from applying guidelines that are not properly tailored to the unique Canadian legal, securities regulatory and capital market environment. At a minimum, this measure will provide issuers and institutional investors with greater certainty regarding the basis for recommendations. We share the concern expressed by many other commentators that rigid application of standards assumes a "one size fits all" approach that is not appropriate, particularly in the Canadian context.

4. Disclosing Conflicts of Interest

Lastly, CI feels that Proxy Advisory Firms should be required to disclose any actual or potential conflict of interest, in their voting recommendations to their client. This disclosure will increase the transparency and accountability of recommendations. Further, issuers and their shareholders will be in a better position to identify conflicts of interest and evaluate recommendations accordingly. This requirement is especially important given the concentration of Proxy Advisory Firms and the inherent conflict of interest that exists when Firms advise both an issuer and its institutional investors.

Thank you for providing the opportunity to discuss the issues raised in the Proposed National Policy regarding the services provided by Proxy Advisory Firms. If you have any questions or wish for us to clarify any comments, please do not hesitate to contact me.

Yours very truly,



Sheila A. Murray
Executive Vice President, General Counsel and Secretary
CI Financial Corp.