

June 7, 2018

**BY EMAIL**

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

Christopher Peng, Legal Counsel, Corporate Finance  
Alberta Securities Commission  
Suite 600, 250 – 5th Street SW  
Calgary, Alberta T2P 0R4  
christopher.peng@asc.ca

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22nd Floor  
Toronto, Ontario M5H 3S8  
Email: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

M<sup>e</sup> Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, rue du Square-Victoria, 22<sup>e</sup> étage  
C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3  
Email: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Dear Sirs/Mesdames:

Re: **CSA Staff Notice 61-303 and Request for Comment – Soliciting Dealer Arrangements (the “Consultation”)**

The Canadian Advocacy Council<sup>1</sup> for Canadian CFA Institute<sup>2</sup> Societies (the CAC) appreciates the opportunity to provide the following general comments on the Consultation.

---

<sup>1</sup>The CAC represents more than 15,000 Canadian members of 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.cfasociety.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>.

We are concerned with soliciting dealer arrangements where investment dealers are compensated for successfully soliciting a vote in favour of a matter requiring security holder approval, whereby security holders may be persuaded to vote in a manner which, in their unique circumstances, is unfavourable to them.

The Consultation notice indicates that issuers have argued it may be difficult to reach out to retail investors who are objecting beneficial owners, and we understand why issuers would like to increase engagement during particular votes. However, by tying the dealer fee to the success of soliciting a particular vote, rather than for making the beneficial holder aware of the upcoming meeting or regardless of the vote cast, it creates a material conflict of interest for the dealers. The arrangement may comprise the dealers' ability to offer unbiased advice to shareholders as the advice is not independent of financial gain and thus firms may be benefitting from the assets of their clients in a manner that does not reflect their clients' best interests. These conflicts may not be controllable or dealt with appropriately through disclosure.

At a minimum, investment dealers and their representatives should provide clear and prominent disclosure to investors respecting the existence of a soliciting dealer arrangement, as well as details with respect to the fee arrangement. Guidance could be taken from the requirements of Division 3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”) with respect to referral arrangements, which raises some similar conflict of interest issues for registrants. For example, s. 13.10 of NI 31-103 would require disclosure of information such as any conflicts of interest resulting from the relationship between the parties to the agreement, the method of calculating the referral fee and, to the extent possible, the amount of the fee, as well as any other information that a reasonable client would consider important in evaluating the referral arrangement.

In addition to the conflicts raised, the issues with respect to security holder voting mechanism are more widespread. The proper functioning of the proxy voting system, including accurate vote tracking and entitlement attribution, is, in our view, an essential part of our capital markets. A well run proxy voting system contributes to investor confidence and the integrity of our markets. We have previously expressed our concerns with respect to the proxy voting infrastructure as a whole, including with respect to 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*, which were intended in part to set out responsibilities for parties such as intermediaries to enhance the accuracy of the vote reconciliation process. Other issues

---

<sup>2</sup> 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 155,000 members in 165 countries, including more than 148,900 CFA charterholders and 149 member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org).

that have been identified include the fact that intermediaries, including dealers, may not have consistently accurate records relating to vote entitlements at the outset, resulting in inaccurate information floating down the chain. We look forward to additional guidance from the CSA in this important area.

### **Concluding Remarks**

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at [cac@cfacanada.org](mailto:cac@cfacanada.org) on this or any other issue in future.

(Signed) *The Canadian Advocacy Council for  
Canadian CFA Institute Societies*

**The Canadian Advocacy Council for  
Canadian CFA Institute Societies**