



Advancing Standards™

September 21, 2012

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Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

John Stevenson, Secretary
Ontario Securities Commission
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Toronto, Ontario
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Fax: 416-593-2318
e-mail: jstevenson@osc.gov.on.ca

-and-

Me Anne Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3
E-mail: consultation-en-cours@lautorite.qc.ca

Dear Sir and Madam:

Re: CSA Consultation Paper 25-401: Potential Regulation of Proxy Advisory Firms

The Portfolio Management Association of Canada ("PMAC", formerly the Investment Counsel Association of Canada ("ICAC")), through its Industry, Regulation and Tax Committee, is pleased to have the opportunity to submit the following general comments regarding CSA Consultation Paper 25-401: Potential Regulation of Proxy Advisory Firms (the "Consultation Paper"). We note that our comments are limited to only certain issues raised in the Consultation Paper.

PMAC acknowledges that proxy advisory firms play an important role in the asset management industry and it's important that portfolio managers have confidence in the process as our members place a high degree of reliance on the research underlying the recommendations provided by these firms. Having said that, we currently believe that market forces have sufficiently ensured the quality and independence of the products and services offered by proxy advisory firms and in our view, proxy advisors have voluntarily addressed many of the concerns outlined in the Consultation Paper, pre-empting the need for securities regulatory intervention.

Potential conflicts of interest

In our view, proxy advisory firms have voluntarily responded to conflict of interest issues and are adequately transparent with clients. We do not believe that regulation to address this issue would improve market integrity. For example, the development and disclosure of policies and procedures to mitigate conflicts of interest have already largely taken place. Market forces impacting these businesses have been adequate in achieving changes to governance structures, disclosure efforts, and conflict of interest issues. In fact, there has been minimal evidence put forth to confirm that these internal processes are inefficient to effectively manage some of the concerns raised.

Lack of transparency

To our knowledge, proxy voting advisory firms are open to engaging with a variety of stakeholders and play a valuable role in assisting portfolio managers to exercise their fiduciary duty on behalf of their clients. In addition, we understand that our members receive sufficient information from the proxy advisory firms they decide to retain to enable them to understand the rationale for the positions taken on all voting issues.

Potential or perceived influence of proxy advisory firms

Regarding the extent of reliance on proxy advisors, these firms provide the market with data about market practices and recommendations based on research and the analysis of those practices. Such recommendations are exactly that - recommendations only - and most investors, if not all, will evaluate matters independently, thoroughly and in their own unique decision making process and, ultimately vote in accordance with their own internal proxy voting guidelines adopted by their boards of directors. Even when delegating responsibilities to service providers, as is common in the industry, the ultimate responsibility for all investment activities remains with each investment management firm. Consequently, we do not believe that proxy advisory firms have had an inappropriate influence on investors and corporate governance practices. Instead, we view their influence on corporate governance issues as being positive in highlighting best practices to the market and we agree that any potential influence they have may benefit investors broadly by encouraging widespread adoption of governance best practices.

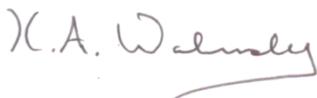
In summary, we believe many of the concerns outlined in the Consultation Paper have been already addressed voluntarily without the need for regulation and we don't think prescriptive regulation in this area is necessary at this time. The competitive nature of the business already creates the procedures and controls that form some of the suggested regulatory responses in the Consultation Paper. However, should the CSA move ahead with regulation in this area, we would support a framework by the CSA to adopt a policy that would give guidance on best practices for

proxy advisory firms. In our view, this approach would be preferable to the other alternatives suggested and be a more appropriate form and less intrusive type of potential regulation.

If you have any questions regarding the comments set out above, please do not hesitate to contact Katie Walmsley at (416) 504-7018 or Julie Cordeiro at (416) 504-1118.

Yours truly,

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA

Handwritten signature of Katie Walmsley in black ink.

Katie Walmsley
President, PMAC

Handwritten signature of Scott Mahaffy in black ink.

Scott Mahaffy
Chair, Industry, Regulation & Tax Committee
Vice President Legal, MFS McLean Budden Limited

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