

## Notice of Publication

### CSA Staff Notice 54-305

### *Meeting Vote Reconciliation Protocols*

January 26, 2017

#### **Introduction**

Staff of the Canadian Securities Administrators (the **CSA** or **we**) are publishing today in final form CSA Staff Notice 54-305 *Meeting Vote Reconciliation Protocols* (the **Protocols**). The Protocols are in Annex A to this Notice.

#### **Substance and Purpose**

Meeting vote reconciliation consists of the processes used to tabulate proxy votes for shares held through intermediaries. It involves systems and processes that link depositories, intermediaries and meeting tabulators with one another in order for proxy votes from registered shareholders and voting instructions from beneficial owners to be reconciled against securities entitlements.

The Protocols contain CSA staff

- expectations on the roles and responsibilities of the key entities that implement meeting vote reconciliation, and
- guidance on the kinds of operational processes that they should implement to support accurate, reliable and accountable meeting vote reconciliation.

The Protocols address the following areas:

- generating and sending vote entitlement information;
- setting up vote entitlement accounts;
- sending proxy vote information and tabulating and recording proxy votes;
- informing beneficial owners of rejected/pro-rated votes.

The Protocols are voluntary and lay the foundation for the key entities to work collectively to improve meeting vote reconciliation.

#### **Background**

The Protocols were published in draft form for comment on March 31, 2016 as part of 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 (CSAN 54-304)*. At that time, we noted that it is not our usual practice to seek comment on CSA staff guidance. However, we determined it was appropriate to seek comment because the Protocols are different from typical CSA staff guidance. In particular, the Protocols contain extensive and detailed discussion of operational processes.

Please refer to CSAN 54-304 for more information on the development of the Protocols.

## Feedback on the Protocols and Summary of Changes

The comment period ended on July 15, 2016. During the comment period, we received 10 comment letters from various market participants. The commenters are listed in Annex B to this Notice. We have considered the comments received and thank all of the commenters for their input.

We also obtained feedback on the Protocols through

- a roundtable held in Ontario<sup>1</sup>, and
- a Technical Committee comprising representatives from the Canadian Depository for Securities Limited (CDS), Broadridge Investor Communications Corporation (**Broadridge**), intermediaries and transfer agents (who typically act as tabulators for meetings).

We have made several changes to the Protocols as a result of feedback we received on specific aspects of the Protocols. The following is a high-level overview of the key changes. A blackline of the final Protocols to the draft Protocols is in Annex C to this Notice.

Protocol <sup>2</sup>	Description of Change
Purpose and Scope	A section has been added encouraging intermediaries to establish, maintain and apply written policies and procedures regarding client account vote reconciliation. This change is intended to support greater transparency in the proxy vote tabulation process.
A.3.1	The draft Protocol contained an expectation that intermediaries implement processes to ensure that a tabulator has complete and accurate vote entitlement information for each intermediary that will solicit voting instructions from beneficial owners and submit proxy votes. An additional expectation has been added that the intermediaries will also design and implement appropriate internal safeguards and controls to monitor the effectiveness of those processes.
C.1.6	The draft Protocol only referred to intermediaries and Broadridge providing tabulators with up-to-date contact information. The Protocol now includes an expectation that tabulators and CDS should provide up-to-date contact information to intermediaries and Broadridge to assist in resolving any potential over-vote issues.
C.1.7	A new Protocol has been added to provide guidance on the steps intermediaries and Broadridge should take if they are contacted by a tabulator regarding an over-vote situation. This change is intended to mitigate the risk that an over-vote situation is not resolved in a timely manner. The new Protocol also sets out an expectation that intermediaries should establish appropriate notification methods for beneficial owner clients that wish to know if their intermediary has been unable to obtain verification that the situation has been resolved, such that the proxy votes submitted by the intermediary could potentially be pro-rated or rejected. This change is intended to support beneficial owners who wish to obtain information about the status of their votes prior to the meeting.

<sup>1</sup> A transcript is available at [http://www.osc.gov.on.ca/en/SecuritiesLaw\\_oth\\_20161118\\_54-304\\_transcript-proxy-voting-roundtable.htm](http://www.osc.gov.on.ca/en/SecuritiesLaw_oth_20161118_54-304_transcript-proxy-voting-roundtable.htm).

<sup>2</sup> Each protocol is identified by a letter and two numbers that correspond to the following in the Protocols:

- the section header letter;
- the document/information number;
- the protocol number.

See **How the Protocols are Organized** in the Protocols for a more detailed explanation.

<b>Protocol<sup>2</sup></b>	<b>Description of Change</b>
C.2.8	The guidance on the timing for a tabulator to respond to an intermediary request for information as to whether proxy votes have been counted or not has been amended to reflect that the tabulator can only provide the information after the issuer has instructed it to do so. Guidance has also been added that if the issuer does not provide this instruction to the tabulator, the tabulator should notify the requestor.
D.1.1	The guidance on what constitutes a reasonable period for the tabulator to notify Broadridge of rejected or pro-rated votes now refers to a period within 10 business days of completing final tabulation, to take into account that there are currently no electronic communication methods in place for this activity.

We also received feedback on the following issues associated with implementing the improvements contemplated by the Protocols:

- cost and resource impacts;
- a reasonable implementation timeframe;
- which aspects of the Protocols (if any) should be codified as securities legislation;
- which entities that engage in meeting vote reconciliation should be “market participants” or subject to compliance review provisions (where the “market participant” concept does not exist).

Although these comments and feedback did not result in any changes to the Protocols, we will take them into account when we assess the need for any enhanced regulatory measures.

### **Next Steps**

CSA staff will monitor the voluntary implementation of the Protocols over the next two proxy seasons with the assistance of the Technical Committee, and assess the need for any enhanced regulatory measures.

CSA staff also encourage and intend to monitor industry initiatives aiming to find solutions for paperless meeting vote reconciliation and end-to-end vote confirmation through the Technical Committee.

### **Annexes to Notice**

Annex A – CSA Staff Notice 54-305 *Meeting Vote Reconciliation Protocols*

Annex B – List of Commenters

Annex C – Meeting Vote Reconciliation Protocols Blackline

## Questions

Please refer your questions to any of the following:

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