

CSA publishes proposals for proxy vote reconciliation

APRIL 8, 2016 3 MIN READ

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On March 31, 2016, the Canadian Securities Administrators (the “CSA”) published for comment proposed protocols with respect to proxy vote reconciliation for shares beneficially owned by shareholders who hold those shares through intermediaries (the “Protocols”). The comment period for the Protocols closes on July 15, 2016.

The Protocols are the CSA’s response to gaps in the existing vote reconciliation process identified by the CSA in its previous review of the proxy voting infrastructure in Canada, which commenced in 2013. They set out CSA staff expectations on the role and responsibilities of the “key entities” that implement shareholder meeting vote reconciliation (including tabulators, intermediaries and Broadridge). The CSA states that the Protocols are intended to apply to uncontested meetings. However, the CSA also states that some of the expectations and guidance set out in the Protocols “are also relevant to meeting vote reconciliation for proxy contests and should be taken into account where appropriate.”

The Protocols’ guidance includes:

- *Intermediaries’* responsibility for implementing appropriate processes to ensure that they are providing accurate and complete voting entitlement information on the supplemental and restricted proxies provided by them to the tabulator;
- *Tabulators’* responsibility for obtaining the omnibus proxy from CDS & Co. and taking active reasonable steps to advise intermediaries and Broadridge in the event an intermediary is in an “over-vote” position where it is attempting to vote more shares than the tabulator believes that intermediary is entitled to vote;
- *Issuers’* responsibility for obtaining the omnibus proxy from CEDE & Co. for beneficial owners holding through U.S. intermediaries and providing this omnibus proxy to the tabulator;
- *Timeframes* within which the tabulator is expected to respond to requests from intermediaries for confirmation that votes have been received, suggesting that intermediaries should avoid voting at the ‘last minute’ to leave time to correct any issues identified by the tabulator; and
- *Communication* that is expected to occur between the tabulator, Broadridge and intermediaries, including to support confirmation that votes submitted to the tabulator have been received and in connection with the notifications expected to be provided by the tabulator with respect to any votes received by the tabulator that are rejected or pro-rated.

The CSA’s plans for implementing and assessing the success of the Protocols include:

- Establishing a technical committee to support and monitor the implementation of improvements to the vote reconciliation process;
- Holding at least one roundtable in late 2016 with market participants to discuss comments received on the Protocols;
- Publishing the final Protocols by the end of 2016 in time for the 2017 proxy season; and
- Monitoring the voluntary implementation of the Protocols and related industry initiatives during the 2017 proxy season and assessing the need for new rules and guidance at that time.

The CSA states that, going forward, the Protocols are intended to “lay the foundation” for tabulators, intermediaries and Broadridge to work collectively to (a) move to electronic (rather than paper) transmission of information; and (b) develop an “end-to-end” vote confirmation system that will allow beneficial owners to confirm that their proxy votes have been accepted. The CSA also states that it intends to “strongly encourage and monitor” initiatives in these areas.

[View a complete copy of the Protocols attached as Annex A to CSA Multilateral Staff Notice 54-304.](#)