

**BY EMAIL**

June 18, 2018

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

C/O:

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Dear Sir/Madam:

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

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This submission is made by the Public Sector Pension Investment Board (“PSP Investments”) in response to the Request for Comment released on April 12, 2018.

**Background**

By way of background, PSP Investments is one of Canada’s largest pension investment managers, with \$153.0 billion of net assets as of March 31, 2018. We are a Canadian Crown corporation that invests funds for the pension plans of the federal public service, the Canadian Forces, the Royal Canadian Mounted Police and the Reserve Force. Our head office is located in Ottawa and our highly-skilled and diverse team of more than 800 professionals works from offices in Montréal, New York and London. PSP Investments’ mandate is to manage the pension funds transferred to it by the Government of Canada in

the best interests of contributors and beneficiaries, and to maximize investment returns without undue risk of loss.

To that end, we manage a diversified global portfolio composed of investments in public financial markets, private equity, real estate, infrastructure, natural resources and private debt.

### **General Comments**

We understand that soliciting dealer arrangements may be utilized in a variety of contexts to entice shareholders to cast their votes for a shareholders' meeting, tender their securities to a take-over bid or participate in a rights offering. While the Request for Comment is seeking views on the broad spectrum of issues related to soliciting dealer arrangements, we will provide our observations on the narrower issue of the payment of fees contingent on supporting a specific recommendation in the context of a shareholder vote ("One-sided Arrangements").

As a long-term institutional investor in the global equity markets, we strive to vote at all shareholder meetings organized by companies in which we invest. However, we understand that issuers must often contend with low participation rates of retail shareholders in the context of shareholders' meetings. National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* also makes it challenging for issuers to communicate with objecting beneficial owners to prompt them to exercise their voting rights. To that end, soliciting dealer arrangements constitutes an important means in capital markets, allowing issuers to meet quorum requirements and ensuring the legitimacy of shareholders' meetings.

Accordingly, we find soliciting dealer arrangements utilized for the purpose of fostering shareholder participation and enhancing shareholder democracy appropriate, provided that they are not conditional on a particular voting result and are not structured in a way that is intended to influence the vote. Paying dealers to solicit shareholders' votes is of benefit to issuers and shareholders, as well as capital markets as a whole.

However, we are very concerned with One-sided Arrangements as they result in payments that are contingent upon the support of a specific recommendation. This practice is objectionable as it is likely inconsistent with directors' fiduciary duties since it may result in board entrenchment using company resources. One-sided Arrangements may also create a conflict of interest between the dealer and his client as dealers have an obligation to work in the clients' interests but are also being paid by issuers to entice clients to vote for a specific recommendation. In our view, One-sided Arrangements constitute a form of "vote buying" and are detrimental to the quality of capital markets because they adversely impact the shareholders' ability to express their votes without undue or biased influence.

We believe One-sided Arrangements in the context of shareholders' meetings should be prohibited in all instances, including in cases of proxy contests. In such instances, while One-sided Arrangements may lessen potential conflicts of interests between the dealers and their clients if offered by each proponent, the concerns in respect to incumbent boards' fiduciary duties and the improper use of company resources remain.

In summary, we believe that soliciting dealer arrangements can play an important role in capital markets by fostering shareholder democracy, provided that the payments are not contingent to a specific recommendation.

Thank you again for providing the opportunity to share our views on this important issue.

Should you require any additional information in respect to this comment letter, please feel free to contact the undersigned.

Best regards,



Stéphanie Lachance  
Vice President, Responsible Investment