



International Organization of Securities Commissions
Oquendo 12
28006 Madrid
Spain

By email: consultation-2015-06@iosco.org

24 July 2015

Dear Sirs,

RE: ICGN position on International Standards on Fees and Expenses of Investment Funds

The International Corporate Governance Network (ICGN) is an investor-led organization of governance professionals with members including institutional investors based in 47 countries, responsible for assets under management in excess of US\$26 trillion. Established in 1995, our mission is to inspire and promote effective standards of corporate governance to advance efficient markets and economies world-wide. For more information, please visit www.icgn.org.

We are pleased that IOSCO is addressing the issue of fees and expenses of investment funds and has initiated a consultation process on this topic.

In recent years, ICGN's Shareholder Rights Committee has been confronting the various obstacles in the cross border voting process. In this context we published a Viewpoint report on obstacles to vote execution (please find this document attached). This document aims not only to create awareness among market participants about these concerns, but is also intended to serve as a guidance to address obstacles in voting process.

A specific issue we identified in this regard, and which is of major concern to our members, is the cost of voting. In this respect we have seen intermediaries charging up to €500 per vote per fund. In our Viewpoint report we stated:

The overlay of multiple fees incurred along the voting chain by intermediaries can lead to excessive costs and outweigh the benefit of exercising the right to vote itself. Costs can be inflated, often with no benchmark, and with no clear disclosure around how such fees are justified. Improved disclosure around the level and make-up of fees would help ensure a clear understanding of costs and benefits and allow for discussion around any mechanisms of improvement for vote execution.

We believe that there are some measures which could help to address, if not overcome, the exorbitant fees that many investors confront in the cross border voting process.

Our specific recommendations are as follows:

- **Companies:** *Companies are responsible for appointing registrars and equivalent agents and should therefore use this accountability to make this part of the chain as transparent as possible.*

- **Investors:** *Asset owners are encouraged to regularly review their service contracts with asset managers, custodians and other intermediaries to include clarification on fee structures for the services they provide and identify execution targets within a specific time frame which may be subject to penalties for non-performance. The structure for investment management fees should be more associated with the long-term perspectives which will generate returns over the time-horizon that beneficiaries or clients are seeking. Fees should take into consideration stewardship activities of investment managers, including both engagement and voting at shareholder meetings.*

- **Intermediaries:** *All agents should provide a transparent voting cost structure and fees should be listed by component (registration, translation, meeting attendance, vote lodgement, external service provision, out of pocket expenses, etc.). This would allow investors a more comprehensive overview of the costs associated with the voting activity.*

- **Regulators:** *Regulators should ensure that they understand the different parts of the voting chain and are able to detect potential problems and take action in terms of market power and other anti-competitive pressures exerted by intermediaries that may affect fees.*

We hope that these comments are useful in your deliberations and the ICGN Policy Director, George Dallas (george.dallas@icgn.org), would be happy to elaborate on any of the points raised in this letter. Thank you for your consideration.

Yours faithfully,

Erik Breen
Chairman, ICGN Board

Cc. Kerrie Waring, Managing Director, ICGN
Bram Hendriks, Co-Chair, ICGN Shareholder Rights Committee
Eugenia Jackson, Co-Chair, ICGN Shareholder Rights Committee
Alexander Juschus, ICGN Cross-Border-Voting-Project