Striking a New Balance:
Concept Proposal 81-402

Comments from:

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Issues for comment

01-02
Fund managers have access to billions of dollars of other people's money and therefore must be held to a high level of accountability. A two or three basis pint increase to the allocation of costs to a stable of funds that are fifty or sixty billion dollars adds a considerable amount to the Managers bottom line while having a seemingly innocuous affect on the fund.

There should, in light of the above, be well defined rules to cover what costs incurred by the Manager (or related parties) can be allocated to the funds. There also needs to be a national set of rules to establish what activities undertaken by the Manager (or related parties) constitutes activities that relates to the operation of the fund.

03-04
All funds should be regulated in the same way, including pooled fund trusts, mortgage investment corporations, LSVCCs, Investment Corporations, Income Trusts, Royalty Trusts as well as Mutual Fund Corporations and Trusts and segregated funds. In this way you create a "level playing field" in that everyone is required to follow the same rules. It is interesting to note that for Income Tax Purposes LSVCC's are treated as Mutual Fund Corporations.

20-22
Perhaps the securities commission should have the right to appoint some or all of the initial governance agency members. Particularly where the agency may be a Trust Company owned by the shareholders of the Fund Manager and persons nominated as external directors may not be as independent as one would think.

Agency members appointed by the Fund Manager or a related party will likely not be truly independent.

Qualifications for membership on a governance agency should be outlined in guidelines and should include:

- Knowledge of investments
- Business experience at high level
- Basic accounting knowledge
- Some knowledge of related issues of law

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In most cases, auditors review internal controls as part of their year-end review. In many cases, large fund companies have an internal audit dept and have good internal controls.

34-35

5900 reports may assist the auditors of a fund manager in verifying that expenses that have been allocated to a fund where in fact incurred. The question that has to be answered would be whether or not the allocation was reasonable.