



Stephen J. Baker
President

June 6, 2002

John Stevenson, Secretary
Ontario Securities Commission
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And

Denise Brousseau, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square, Stock Exchange Tower
P O Box 246, 22nd Floor
Montreal, Quebec
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Re: HIFC Response to CSA Mutual Fund Governance Concept Proposal

HSBC Investment Funds (Canada) Inc. (HIFC) is pleased to be able to comment on the Canadian Securities Administrators (CSA) mutual fund governance Concept Proposal 81-402.

HIFC participated in dialogue with the Investment Funds Institute of Canada (IFIC) and other industry participants in recommending an industry response to the Concept Proposal. HIFC has been provided with a copy of the IFIC formal response to the Concept Proposal dated May 30, 2002. HIFC fully concurs with the comments and concerns outlined in the IFIC letter and appendix.

We would emphasise the need for a prudent and cautious approach be adopted to ensure investors are not disadvantaged due to potential conflicts that may arise between a governance agency and the investment fund and its unitholders. Careful consideration should be given to identify those areas where the interests of the governance agency may not be aligned with those of the investment fund and unitholders. For example, the area of mergers and acquisitions of mutual fund companies, termination of governance agencies, termination of governance agency members and governance agency member compensation will require careful attention.

The mutual fund industry has consolidated significantly in recent years and mutual fund sales have become increasingly concentrated in the hands of a small number of large mutual fund companies. The health of the mutual fund industry in Canada relies on the ability of new companies to enter the market to offer competition and choice to the investing public. These new companies may be Canadian owned or represent foreign investment into Canada by international companies. There is a risk that multi-national companies will choose alternative domiciles for investment if the Canadian regulatory regime is regarded as uncompetitive or too costly relative to other jurisdictions. Care needs to be exercised to ensure that the barriers to entry are not excessive.

We welcome the opportunity for dialogue in these matters.

Yours sincerely,