June 7, 2002

Mr. John Stevenson
Secretary
Ontario Securities Commission
P.O. Box 55, 19th Floor
20 Queen Street West
Toronto, Ontario M5H 3S8

Dear Mr. Stevenson:

Re: <u>Concept Proposal 81-402</u>

INTRODUCTION

We are pleased to comment on the Canadian Securities Administrators ("CSA") Concept Proposal 81-402 entitled "Striking a New Balance: A Framework for Regulating Mutual Funds and their Managers" (the "Proposal").

We have reviewed the Proposal and the specific questions that the CSA has posed. As you will see, we have not answered each and every question. Rather, we've focused our attention on the core issues we've identified. We hope you find our comments helpful.

OVERVIEW – THE BIG PICTURE

Before turning to the specific questions, we'd like to offer our views on some of the broader, more conceptual issues that we've identified in our review of the Proposal. There are, in our opinion, four fundamental goals that must be achieved in order for fund governance to enhance Canadian capital markets and benefit Canadian investors who purchase mutual fund securities.

1. Regulatory harmonization is critical

The Canadian mutual fund industry is national in scope. We believe the CSA must work towards developing a uniform act and rules that can be adopted nationally and applied consistently in all jurisdictions.

In the interim, we believe the CSA must ensure that any and all new rules relating to the mutual fund industry are adopted nationally. Canadian investors deserve a single regulatory framework. And, fund governance will only benefit Canadian capital markets and Canadian investors if it is adopted by all members of the CSA – for the benefit of all Canadians.

We've heard rumours that some securities commissions are not onside with the Proposal. In fact, it would appear that some jurisdictions are approaching mutual fund regulation from very different perspectives. While we can appreciate the frustration of getting buy-in from all provinces and territories on all points, we believe that it would be irresponsible and detrimental to the public interest if one or more jurisdictions opted to "go it alone" on fund governance or on any other substantial initiatives affecting Canadian mutual fund investors. Regulatory harmonization is critical.

2. No duplication of regulation

The mutual fund industry is already heavily regulated. The Concept Proposal threatens to add another layer of regulation, especially if the prescriptive rules applicable to mutual funds are not lifted at the same time that fund governance is introduced.

At the time of the introduction of NI 81-102, the CSA recognized seven areas that required changes, including inter-fund trading and fund on fund, and proposed to publish proposed rules addressing these areas. Three years later, these issues have still not been addressed. Unfortunately, the lack of any meaningful progress in these areas has continued to deprive Canadian mutual fund investors of the benefits industry participants have been lobbying for on their behalf.

The CSA must address the prescriptive rules now, as part of the fund governance review. Those rules must be relaxed, effective upon the implementation of fund governance. Failure to do so will result in a duplication of governance/oversight. And this is not something Canadian mutual fund investors would want.

The CSA prohibits a "duplication of management fees" in the context of fund on fund. And they have granted relief in connection with the "duplication of filing fees" in RSP clones and fund on fund. The challenge, now, is to ensure that implementation of fund governance regime does not result in a "duplication of regulation" – as this would negatively impact Canadian mutual fund investors and the efficiency of Canada's capital markets.

We, like many Canadian investors, hope for better regulation, not more regulation. In this regard, we fully support comments made by Ontario

Securities Commission Chair, David Brown, in an April 2, 2002 speech where he stated:

> "regulatory requirements that do not benefit investors should be eliminated. Requirements that have out-lived their usefulness should be eliminated or replaced... And costs must be matched by benefits."

3. Costs must be matched by benefits

We are concerned that the architects of fund governance could unwittingly build a “white elephant” - a governance structure with all the bells and whistles – but far more permeative than what is actually needed or that investors are willing to pay for. The CSA must be mindful of who we are doing this for and why. Bigger isn’t necessarily better.

Mutual fund investors want performance. The ongoing costs of fund governance (including compensation, professional fees, securityholder meetings, and the printing and mailing costs associated with client notifications) will impact investment returns. Costs are a big issue to Canadian investors and the CSA must be sensitive not to impose requirements that unnecessarily raise the costs of owning mutual fund securities. Just as Canadians, historically, have objected to higher government imposed taxes, we believe Canadian investors would object to any higher costs of owning mutual fund securities.

To date, much of the focus relating to costs has been on assessing the costs of developing and implementing a fund governance structure. That’s just the start. There will be ongoing administrative and operational costs of fund governance, just like there are with any residential condominium project.

Although the costs of individual upgrades or enhancements to our current regime may not seem that huge, in aggregate, they will impact investor returns – perhaps without any offsetting benefit. Again, we support David Brown’s goals of ensuring that the costs of any *new* regulation be matched by the benefits of such regulation. We hope this type of analysis is extended to *existing* regulation, as it seems to be the case in other jurisdictions.

4. Attract qualified and committed agency members

After it is built, will they come? We are concerned that there may not be enough qualified people who are willing to step into the shoes of a fund governor.

In order to attract great people, it will be critical for the CSA to clearly articulate in the rules and companion policy:

a) the role and responsibilities of the fund governance agency (is it to oversee or to supervise and what does that mean?);
b) the availability of a due diligence defence; and
c) a cap on personal liability.

Unfortunately, the Proposal leaves too many uncertainties. Prospective governors will want absolute clarity in order to assess whether they have the skills, desire and time to commit to this role. If, after building the structure, fund complexes are unable to attract great people, investors will likely be no further ahead – just out of pocket. So, we need to focus considerable attention on what it will take to attract the right people, for the benefit of Canadian investors.

THE SPECIFIC QUESTIONS

Set out below are our responses to various questions raised by the CSA in the Proposal:

.03 Do you agree that labour sponsored investment funds (where applicable) and commodity pools should be subject to the same regulatory scheme as other mutual funds (considering the specialized rules that we already have for these specialized mutual funds)? If not, why?

We believe that like products should be regulated by like standards. It is not appropriate to impose heavier standards and/or costs on retail mutual funds than on other similar retail products, including exchange traded funds.

.05 Although we do not address the fifth pillar of our proposed framework, we invite you to give us your ideas on how we could better carry out our role as regulator.

We believe a national securities regulator would be beneficial to Canadian capital markets and indeed mutual fund investors. We understand, however, that this is a political issue. That said, we believe the CSA can do more with what they have and could regulate the industry with greater harmonization. This, in and of itself, would render our capital markets more effective and more cost efficient.

What is also needed is a more consistent application of rules, with more emphasis on regulating the "big picture". It seems that too much time, effort and money is wasted through prospectus renewals and on applications dealing or explaining little issues, that need not be addressed by the regulators. Unfortunately, this often results in higher legal and accounting fees, the costs of which are borne, indirectly, by investors. CSA staff needs to be more sensitive to the costs of applications and prospectus renewals and seek ways to enhance efficiencies for the benefit of Canadian investors who invest in securities markets

through mutual funds. Canadian mutual fund investors would indirectly benefit from cost savings that can be generated through greater efficiencies on the part of the CSA. And this would certainly be appreciated by mutual fund industry participants.

While these may challenge more conventional thinking, a few solutions might be to:

a) eliminate the requirement for mutual funds to renew prospectuses annually in favour of a continuous disclosure model. Given the costs in producing and printing prospectuses, the regulatory effort required to vet prospectuses and our understanding that they are not widely read by investors, this could achieve a win-win solution for all concerned.
b) reintroduce the concept of blanket orders on applications that have become widely accepted precedents. Why does every mutual fund complex have to file the *same* application for the *same* relief once the nature of the application becomes an accepted standard?
c) alternatively, perhaps the CSA should re-consider no-action letters and strive to leverage off the SEC's experience in this regard. This could enhance cost-effective and efficient regulation of the Canadian mutual fund industry.

.06 As you read this section of the concept proposal, please consider whether you believe our approach will result in mutual funds being monitored by a governance agency that:

a. effectively oversees the management of the mutual funds
b. has real powers and real teeth and
c. adds value for investors

If you agree or disagree that our proposals will meet these goals, please tell us why. What do we need to change in order to achieve them?

A statutory cap on liability exposure is critical in order to ensure a broad pool of candidates from which to attract fund governance members. Unlimited liability will impede the efficiency of agency members and likely result in heavy reliance by the fund governance agency on independent advisors, the costs of which will be passed on to investors. Building off this, we believe it would be appropriate to legislate a "due diligence defence" to provide some protection and comfort to the governance members.

11. We do not currently propose to specify the maximum number of mutual funds that may be overseen by a governance agency. Is there a practical limit to the number of mutual funds that one governance agency can oversee effectively? Are mutual funds managed in ways that are sufficiently common to all mutual funds so that one governance agency can oversee all mutual funds in a related

family? Should we provide guidance to the industry on the scope of oversight for a governance agency?

We believe that there will be a limit on how many funds a fund governor may oversee. But, what that number is will be difficult to assess. This will depend in large part on what the word "oversee" means and how involved the fund governance agency is expected to be in the workings of each fund. Clarity of role and responsibility is key.

12. Do you think fund families will find it difficult to recruit qualified members for a governance agency at a reasonable cost? Do you have any experience with trying to recruit members of a governance agency?

Retaining qualified members for governance agencies will be a challenge. Factors that will influence this will include:

a) the nature of the role - is the role to oversee the funds and, if so, what does that mean? Or is it to supervise the management of the fund, like a corporate board?

b) compensation - the risk/reward trade-off will be a factor; does the compensation offset the risk of $1 million, for example, of personal liability;

c) access to professional advisors – will their access be open and unfettered, as we understand it to be in the U.S.? While this may result in increased costs to the fund, it may be a condition precedent for governance members, particularly those without any prior experience in the mutual fund industry;

d) exposure to personal liability – will there be a cap and, if so, how much or will their personal exposure be unlimited;

e) the location of the fund complex head office – depending on the location, it may be necessary to attract candidates from other parts of Canada. While diversity may be good, this would come at a cost to investors.

13. Does the definition of independent members make sense to you? Will it be easy to apply to potential governance agency members? If not, can you suggest an alternate definition or the clarifications you think are necessary? What do you think about whether or not we should require a majority or all members to be independent?

We generally agree with the definition of independence. Unfortunately, however, many of the prospective candidates that mutual fund complexes might wish to appoint to governance agencies may be disqualified. It would appear, for example, that many professionals from legal and accounting firms, as well as

senior members of the securities industry, who might be ideal candidates given their knowledge, skill and experience, could be disqualified based on the definition of independence. It is conceivable that mutual fund complexes may have to look outside the industry and beyond professional organizations for independent members. This may limit the number of qualified candidates, increase the training needs of governance members, and necessitate the need for more hand-holding by lawyers and accountants, which may increase costs.

It would be helpful if the CSA could expand on the meaning of "independent" in the Companion Policy, for example, on "what materially influences members oversight of the mutual fund manager's oversight of the management of the mutual fund".

14. Are the responsibilities we describe appropriate for a governance agency? If not, please explain why. Have we neglected to mention any responsibilities that should be ascribed to the governance agency? For example, should the governance agency review or approve mutual fund disclosure documents?

Paragraph a) – We would expect that the governance agency and management would meet on a regular basis. We do not believe that it is necessary for the CSA to mandate things like the frequency of meetings.

Paragraph b) – We agree that the governance agency should ensure, for the benefit of investors, that appropriate policies and procedures are in place. To this end, we believe it would be helpful if the CSA and/or IFIC could provide guidance with respect to what policies are required, including, for example, what's contemplated by minimum internal controls. A concern, however, is maintaining a separation of duties between the manager and governance agency.

Paragraph c) – A challenge will be defining what is material non-compliance. We envision that this may be an area where there are disputes between the fund manager and the governance agency. While we forsee the governance agency getting summary disclosure regarding compliance with the rules, we also envision the potential for ongoing debate as to what kind, and how much, information the governance agency will require to ensure compliance with rules. Depending on what decisions are made regarding liability, this could become an area where the fund governance agency crosses the line from oversight to micro-management, if for no other reason than to ensure personal comfort.

In the event that the fund governance agency uncovers a breach of applicable securities legislation, we believe that they should be empowered to determine an appropriate course of action, which may include approaching the regulator or retaining external advisors. We do not believe the CSA should mandate their course of action.

Paragraph d) – The fund manager should have the discretion to determine benchmarks. They are best able to assess the suitability of a benchmark for a fund. The fund manager should review fund performance relative to the benchmarks with the governance agency so they can assess relative performance (ie. fund v.s. benchmark) on an ongoing basis.

Paragraph e) – The fund manager is responsible for complying with stated investment objectives, just as they are responsible for complying with other investment restrictions. The fund manager should report to the governance agency and annually certify that it has complied with these provisions. Any discrepancies should be brought to the attention of the governance agency in a timely manner.

Paragraph f) – The scope of this project is potentially significant. There is potential for a wide disparity amongst mutual fund complexes and governance agencies in terms of the content and duties set out in a charter. This is another area where it might be cost-effective and useful to have IFIC and its members design a base template. Building off such a template, we believe it would be appropriate for the governance agencies to craft its own charter.

Paragraph g) – In order to ensure independent oversight, we believe that the financial statements and other mutual fund disclosure documents, including the simplified prospectus, should be independently reviewed and approved by the governance agency.

Paragraph h) – We agree that the governance agency must be empowered if their role is to be meaningful. Accordingly, they must be charged with the responsibility for approving and monitoring related party transactions and other possible transactions, including fund on fund, which may involve potential conflicts of interest. That said, they will have to exercise care not to fall into the trap of micro-managing these issues.

17. The Fund Governance Committee of the Investment Funds Institute of Canada (IFIC) recommends that we limit the liability of a governance agency member for breaches of the standard of care to $1 million. In part because members of boards of directors of corporate mutual funds will not have this limitation on their liability we do not propose to regulate any limits on liability. Also, we are not convinced such a limitation is in the public interest. What are your views?

We believe that a limit on the liability of governance agency members is necessary to ensure that managers are able to recruit qualified persons at a reasonable cost.

18. Will a regulatory statement on the standard of care for governance agency members allow potential members to assess their personal exposure in so

acting? Will potential qualified members be deterred from sitting on governance agencies?

The CSA must be mindful that the potential benefits of fund governance will only be realized if qualified individuals step forward and assume the requisite responsibilities – and to do so, they will want clarity with regards to their potential liability exposure and the standard of care expected of them. Accordingly, we believe the CSA must provide a regulatory statement on the standard of care. Consideration must also be given to how this standard of care (and the role and responsibilities of agency members) differs from that of corporate directors. And this will need to be clearly explained.

20. Are there alternatives to the appointment-election conundrum we outline? Is there another practical way for members to be appointed to fund governance agencies?

The fund manager is best positioned to identify qualified prospects and build a governance agency with the necessary skills to carry out the mandate.

While we understand the theoretical benefits of having investors involved in an election process (in terms of giving them a sense of participation) this is impractical given the general costs of unitholder meetings and the prospect of establishing first-time governance agencies across the industry.

We believe that the appointment of members to the first governance agency and the ongoing filling of vacancies should be made by the fund manager. We do not believe the governance agency should be left to fill vacancies or to make further appointments independently of the fund manager. A solution to the conundrum you have identified might be to have subsequent appointments made by the fund manager and, in turn, ratified by the governance agency. The rationale is that this preserves an element of control for the fund manager in the case of a “loose cannon IGA”.

In terms of the notification and timely disclosure proposals described under section 7, we wish to offer the following comments:

a) The fund manager should not be required to provide separate disclosure as to why a non-independent member is not independent. This is unnecessary as long as the board maintains an independent majority. This could be noted in the AIF or in the Annual Report but separate disclosure is not necessary.

b) Sending notices to investors regarding all new appointments and resignations of governance members and filing such notices on SEDAR is overkill. The costs of sending such notices (preparation, print and mail costs), all of which are borne by investors, will not match the benefits to

investors in receiving and reading the documentation. In our view, this would be a waste of money. A better approach would be to issue a press release and file the press release on SEDAR, consistent with the reporting requirements for similar changes of other corporate issuers.

c) Advance notice of initial compensation and changes to compensation is also unnecessary. This is not material information that is likely to influence an investor's decision to buy or continue to hold mutual fund securities. The cost associated with such mailings heavily outweigh any potential benefit to investors. These requirements do not apply to corporate issuers so why impose them on mutual fund issuers. Imposing such requirements increases the costs to investors of investing in capital markets through mutual funds.

The CSA needs to be careful to balance the costs of fund governance to the benefits to investors buying mutual funds to obtain professional money management and diversification. The proposed disclosure and notice requirements are likely more than investors would want.

21. What do you think about the issues associated with fund managers appointing governance agency members? Are these real or theoretical? If you act on a governance agency and were appointed by the fund manager, please share your experience with us.

We believe that the risk of an insurmountable bias in favour of the fund manager owing to the fund managers' appointment of governance agency members is theoretical. This risk can be appropriately addressed by imposing a standard of care and some form of limited liability on governance member. This will ensure their interests are focused on the best interests of investors.

22. Should investors who do not like the elected/appointed governance agency members be allowed to exit without penalty? Do we need to give any guidelines for qualifications of prospective members of a governance agency?

We do not believe it is appropriate for investors to be allowed to exit without paying any applicable deferred sales charge simply because they do not like the elected/appointed governance agency members.

Investors do not have the option to exit without penalty in the situations where, for example, (i) they do not like the new President of the fund manager; or (ii) they disapprove of a new portfolio advisor or a replacement sub-advisor. Giving this right to investors in the context of a fund governance change would suggest that the fund governance agency is more important than the fund's management team or portfolio advisor.

23. Some people are concerned about the lack of checks and balances on the governance agency setting its own compensation. We do not currently propose to place any limits on the amount or kind of compensation that may be paid to governance agency members. Should we set limits to give guidance to the industry? Should the mutual fund manager be involved in the process of setting the governance agency's compensation or not? Would the independence of governance agency members be compromised if the mutual fund manager set and paid their compensation directly? What do you think about our proposal that the fund manager be given veto power via the ability to call a special meeting to have investors consider any compensation that the fund manager believes is unreasonable?

We believe that the fund manager should set compensation levels for governance agency members. This is not something that ought to be left to the discretion of the agency. It is not practical or effective and it exposes the fund to the potential for abuse. We do not believe the independence of governance agency members would be compromised if the mutual fund manager sets their compensation directly.

There needs to be a check and balance on the system. We'd expect third party consultants will develop appropriate guidance that fund managers can use in developing an appropriate compensation structure. In the final analysis, we'd expect the amount of compensation to vary across the industry and we understand there is potential for larger complexes with bigger funds to be able to pay more. But, in the final analysis, we'd expect this to be formula driven and be influenced, in part, by the scope of the role (ie. the number of funds they oversee) and the corresponding amount of liability taken on.

We believe that the final rule should mandate that fund governance compensation must be paid out of the assets of the fund. The CSA should not allow fund governance compensation to be paid or subsidized, directly or indirectly, by the fund manager. In order to provide a level playing field, compensation should be limited to the payment of money from the fund and should prohibit the issuance of shares or options from the fund manager or an affiliate of the fund manager as that would give rise to a potential conflict of interest.

24. Will the governance agency have sufficient powers in the event of a dispute with a fund manager? Will it be able to discharge its functions properly? If not, can you suggest alternatives for effective dispute resolution? If you do not agree with our discussion on the powers to terminate the fund manager, please explain why you disagree.

The governance agency should not have the power to fire the manager.

We do not believe that the governance agency should have the power to initiate investor meetings to consider firing the manager because there is too much risk of harm – both to the mutual fund manager/sponsor and to investors. If investors lose confidence in the manager, they can "walk with their feet". The power to fire the fund manager is something that investors/advisors already have. This should be left to the individual investor; and not be something that the governance agency can impose or even threaten.

We believe the governance agency will have sufficient powers to address most disputes. While we believe there is merit in preserving the right of the governance agency to call a securityholder meeting, practically, we would not expect this to happen often given the costs of such meetings.

If the fund governance agency or its members reach an impasse with the fund manager that is material and which cannot be resolved, they may use other options at their disposal, including (i) the ability to resign en masse; and (ii) the ability to approach the regulators.

The proposed disclosure requirements in the event of an unresolved dispute between a governance agency and a fund manager are too onerous. We are not aware that this is required of other reporting issuers (unless it constitutes a "material change") and query why the CSA would impose more onerous disclosure rules on the mutual fund industry. Unless the dispute somehow falls within the definition of "significant change" (in which case a press release, material change report and amendment are required), we'd suggest that a better course of action would be to simply provide summary disclosure in the proposed fund governance sections of the fund's Annual Report.

25. What do you think about our suggested approach for dealing with non-performing fund governance agencies or individual members? Do investors or fund managers need any additional powers or information?

Securityholder meetings are a costly production. While we agree that the power to call a special meeting to terminate a governance member is one that should be preserved, we do not believe it will be actively used. The cost of removing an underperforming member may be greater than the benefits of doing so. A possible solution to this issue would be to prescribe a term limit of 3-5 years for members, at which time they can be either re-appointed by the fund manager or replaced.

26. What information do you think investors should receive about the governance agency in addition to, or in substitution for, the information we outline?

We do not believe that it is appropriate for the point of sale disclosure to disclose the name and background of each governance member; the compensation paid etc. We do not believe that IGA information is "key information" that investors

must consider before making an investment decision. Disclosure of such information in the prospectus is not appropriate, especially since NI 81-101 does not require disclosure regarding the portfolio advisors or senior officers and directors of the manager or the mutual fund – information that is presumably more relevant to an investor's decision to buy a fund.

Prospectus disclosure is an area that the CSA needs to revisit. We are encouraged by the preliminary work of the British Columbia Securities Commission and believe that this is an area where "less may be more". Rather than add more to these documents, the CSA should be assessing what requirements (disclosure) they can get rid of to make these documents more appealing and better to read. It doesn't make sense for investors to pay for something they don't want.

With the increasingly widespread use of the Internet by the public, an alternative to prospectus disclosure might be for fund complexes to post information relating to the governance agency on their Web site. This information can be kept current and up-to-date at a fraction of the print and production costs attributable to prospectuses.

The information proposed for Annual Reports dealing with the activities, membership, compensation and unresolved conflicts have some merit but again, the question we must ask is whether this is something investors really want and are prepared to pay for – both in terms of the additional print and mail costs associated with a larger document, and the independent legal fees to be incurred by the governance members on behalf of shareholders in having the proposed disclosure reviewed and approved. We should learn from our experience with NI 81-101. Bigger is not necessarily better, especially if it is not read.

27. How much time do you think we should allow mutual fund managers to develop their governance agencies?

The emphasis must be on getting it right, not just getting it done. We believe a minimum two-year phase in period following the enactment of the rule will be necessary to ensure that fund governance is implemented properly across the Canadian mutual fund industry.

28. What kind of training programs do you think will be necessary for fund governance agency members?

We anticipate that most prospective governance agency members will need significant training on the management and operations of a mutual fund complex and the comprehensive regulatory environment in which we work. This will be critical not only so they can fulfill their obligations to investors, but also so they can avoid personal liability. This may be another area where IFIC can play a leading role.

31. Do you believe a minimum capital requirement is justified? What do you think about the three options that have been recommended to us? Can you suggest an alternative option?

The CSA should not mandate a minimum capital requirement. We do not believe the proposed levels are appropriate. They are significantly higher than the current level and no justification has been given to warrant such a substantial increase.

We believe that capital requirements must be tailored to the individual fund complex with the input of both the governance agency and the fund manager. This is important because of the different operation/structure models currently implemented by mutual fund managers.

A main theme throughout the Proposal is to empower the governance regime rather than implement restrictive rules and wide ranging prohibitions. The CSA's recommendation for a minimum requirement misses the boat. This is a perfect area to implement a broader regulatory principle or guideline and have it monitored by the governance agency.

33. Is our list of essential internal controls complete? Do you think our proposal for an auditor review of internal controls is necessary? Why or why not? Do fund managers today routinely ask their auditors to conduct this review?

We do not believe that external auditors should be required to periodically review the adequacy of the mutual fund manager's internal control procedures and file a report with the principal regulators. This is outside the scope of external auditors responsibilities to evaluate the adequacy of internal controls regarding disaster recovery and operations of a transfer agent.

37. Is it realistic to expect that the governance agency will ensure the manager complies with its policies on such matters as related-party transactions? Can this approach replace the current conflicts of interest rules?

This would be one of the benefits of an independent fund governance agency. This body is better-positioned than the regulator to address and monitor conflicts and, as importantly, to do so in a timely basis.

39. Upon reading the staff research paper, what are your views on the costs of our proposals versus the benefits? Should we take into account other costs? Other benefits?

We have addressed costs versus benefits in a number of places throughout this paper. We won't repeat those comments here. But, there is another reason why the CSA must be mindful of costs; additional costs will increase the barrier to

entry. And, if the costs become to great, smaller fund complexes may be forced out of business. Not only would this deprive Canadian investors of access to the broad selection of professional money managers they have now, but increased concentration of assets in the hands of few management complexes could be detrimental to Canadian capital markets.

Our goal is to build wealth and prosperity for Canadian investors and foster a mutual fund industry that is healthy and growing. We believe that fund governance has the potential to offer some benefits to investors, particularly if we can eliminate the prescriptive rules in conjunction with the implementation of a fund governance regime. Our fear is that the CSA loses sight of who we are doing this for and why – and mandates a structure that is more costly and robust than what's needed, thereby hurting the very investors and capital markets they are seeking to protect.

CONCLUSION

We thank the CSA for giving us the opportunity to comment on the Proposal. It is clear that a lot of work went into the draft, both in terms of the research, the writing and the lay-out.

We would be very pleased to help in any way we can throughout the remainder of this process.

Yours very truly,

Synergy Asset Management Inc.