Frank Russell Canada Limited

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June 11, 2002

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
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and

Denise Brousseau, Secretary
Commission des valeurs mobilieres du Quebec
800 Victoria Square, Stock Exchange Tower
P.O. Box 246, 22 nd Floor
Montreal, Quebec
H4Z 1G3

Dear Sirs and Mesdames:

Re: Concept Proposal 81-402

I am General Counsel for Frank Russell Canada Limited and am writing on their behalf.

We have reviewed the above-noted concept proposal and have some general comments on it and the other developments, which are currently taking place in the industry.

We have reviewed the proposals from the British Columbia Securities Commission and we are encouraged by their approach. We agree with the concept that the Internet can be used to provide a continuous disclosure regime for investors and that the disclosure which investors are required to be given should be simplified.

We also support the code of conduct and the passport registration system.

In addition, we agree with their statements that that the system of regulation has become too complex and needs to be simplified.

We also support the idea of a national securities commission and a uniform securities act.

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We suggest that all of the above initiatives are more important to the industry and will have more benefit to the industry and to investors, than the initiatives set out in the Concept Proposal 81-402.

Although we do not object to the conceptual idea of an independent governance agency, there are certain aspects of the paper with which we disagree.

Specifically, the proposal assumes unrealistically that investors will take an active role in fund governance. It is our experience that most investors do not have the expertise or the time to get involved in such issues. You state that "investors need to be connected to their governance agency" and we disagree with that. You can not force people to take an active role in the governance of mutual funds. It is our experience that most people do not even read the prospectus. Perhaps investors should be more knowledgeable and should take more of an interest in their investments but this will not be achieved through mandating additional disclosure on the funds.

This proposal will create significant additional costs that will be borne by the investor. The funds will be required to pay the costs of hiring a firm to select candidates, paying their annual salary, paying the costs of transportation to attend meetings, paying the costs of legal counsel to advise the directors, and the cost of insurance to protect them. There is also the additional cost created through delays in trying to assemble a group whose main business is not the management of the fund.

It is the investor that will pay this cost. As there has been no evident misconduct by mutual fund managers, it is difficult to agree that these additional costs, to be paid by investors, are really necessary. In any event, having an independent board is no guarantee that that investors will be protected as there are numerous continuing examples in the corporate world of independent directors who failed to protect the investors. Layered on top of this is the fact that the mutual fund industry is complex and it will be difficult to find board members who have expertise and do not have a conflict. The selection of board members for a mutual fund is not the same as selecting board members for other business organizations because there will be a much smaller pool of people to draw from. Therefore it is possible that fund complexes may appoint board members who are independent and well intentioned, but who will not have the expertise to contribute in a meaningful way. We would suggest that investors and the industry would be better served by increased regulatory or other audits, as this would ensure that oversight was performed by persons with expertise and knowledge. Therefore we support Alternative 2.

If a governance agency is adopted then its only function should be to deal with issues relating to a possible conflict of interest, or to deal with issues which currently require approval of the regulator or approval at a unitholder meeting. It is unclear from the paper whether regulatory approvals and unitholder meetings will still be required for certain events.

In question one of your paper you state that "we see our renewed framework for regulating mutual funds as a step towards a more flexible regulatory approach, one that represents a movement away from detailed and prescriptive regulations." Truthfully, we do not see that the paper sets out in any way, a more flexible approach. The paper imposes more restrictions and regulation on top of an industry which is already subject to extensive regulation. Perhaps the ultimate goal is to provide more flexibility but it is not evident from the paper that has been published. For example, the proposal states merely that you will consider "whether" the current conflict rules will be modified and that you will re-examine rule 81-102 to determine "whether" the detailed rules can be eliminated or replaced by more general rules.

For all of the above reasons, we do not support proceeding with these changes. If you do decide to proceed, then we would suggest that you need to also implement at the same time, the changes that you say that you foresee which will move us from the detailed and prescriptive regulations that we currently have.

Please do not hesitate to contact us if you have any questions or comments.

Regards,

Edith R. Cassels
General Counsel and Chief Compliance Officer

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