April 8, 2004

Canadian Securities Administrators c/o

John Stevenson, Secretary
Ontario Securities Commission
e-mail: jstevenson@osc.gov.on.ca

and

Denise Brousseau, Secretary
Commission des valeurs mobilières du Québec
e-mail: consultation-en-cours@cvmq.com

Dear Sirs and Mesdames:

Re: Proposed National Instrument 81-107
– Independent Review Committee for Mutual Funds ("IRC")

Phillips, Hager & North Investment Management Ltd. manages in excess of $45 Billion on behalf of pension plans, endowments & foundations, private clients and its own mutual funds. Formed in 1964, we are Canada's largest private investment counselling firm. Our mutual funds are truly "no load" – no sales commissions, front or back-end loads or redemption fees. The prospectused funds represent $16 Billion of our assets under management.

General

We support investor protection and feel the proposed IRC will have a place in fund structures that face related party conflicts of interest. However, we note from the office of the Chief Economist that fund managers, not related to a large financial institution, will sustain a net loss from these changes, presumably that means the funds which are paying the costs of the IRC.

An exemption from the Instrument may be available from the regulator. However, given the publicity on conflicts and governance, it is unlikely a fund manager would apply to exempt. Fund managers will opt in, because to have an IRC is to have investor protection.

Business conflicts can relate to real-time issues that are difficult to postpone without hindering the decision-making process to the detrimental of all clients. This would include allocating securities, correcting errors, best execution. These types of issues must be dealt with immediately with no time to contact the IRC.

Operationally, it will be up to the manager to bring conflicts to the IRC. In the case of business conflicts, generally after the fact. This procedure will only be as good as the manager's honesty and integrity – as it is now. The IRC will have no authority or resources to ask for trade execution or soft dollar reports, or take a sample of recent stock trades and verify the allocation was done fairly. This relates back to comments to the Concept Proposal that there is "no value added" for managers who do not have related party issues. For the IRC to have teeth they have to be able to investigate and test. This was the basis of our suggestion in 2002 for expanding the external auditor's mandate – have them examine the potential areas of conflict and test transactions.

Our specific comments on the proposal are:

2.4 Independence

1) Eligible IRC members
We feel the proposed definition is too restrictive. Employee family members of a prospective IRC member, who are not officers or managers of a mutual fund, should not taint the eligibility of a prospective IRC member. In opening it up, reliance must be placed on the IRC's responsibility to adopt policies on how members should conduct themselves if they may be perceived to be conflicted and handle each determination on a case by case basis.

2) Cooling off period
Having to wait three years after a "material relationship" with a fund manager is too long. One year would be adequate and certainly no longer than two years.

3) Material relationships
An investor with a large investment in the fund family should not be considered to have a material relationship with the fund manager. On the contrary, a large investor would be a more concerned investor and an appropriate member for the IRC, other tests being met.

4) Principles based
We are in favour of a principles based definition of independence. It is in keeping with our support for the BC Model.

2.8 Liability

It would be appropriate for the fund to indemnify members of the IRC if they acted in accordance with their standard of care based on the information available to the IRC.

However, it will be difficult to find members of an IRC without providing them with adequate insurance coverage. To control costs, liability should be limited to $1 million and the CSA should obtain the regulatory authority to do so.

3.1 Conflicts of Interest

If the fund manager has no related parties and conducts its business as a fiduciary ensuring all its clients are treated fairly, as documented in its policies and procedures, the IRC may have a short agenda.

We would be pleased to discuss our response at your convenience. Please contact the writer directly at 604.408.6057 or by email to dpanchuk@phn.com.

Yours truly,

PHILLIPS, HAGER & NORTH
Investment Management Ltd.

(Signed) "Don S. Panchuk"

Don S. Panchuk, CA
Vice President Administration & Regulatory Matters
and Secretary

DSP:dgs