

ACPM · ACARR

The Association of Canadian Pension Management
L'Association canadienne des administrateurs de régimes de retraite

April 14, 2004

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

Dear Mr. Stevenson:

Re: Proposed National Instrument 81-107 – Independent Review Committee for Mutual Funds

The ACPM represents private and public sector pension plan sponsors, administrators and related stakeholders. The ACPM's 750 members across Canada represent plans with total assets of \$300 billion and over three million plan members.

The ACPM's mission is to promote the health and growth of Canada's retirement income system by championing the following principles:

- clarity in pension legislation, regulation and arrangements;
- good governance and administration; and
- balanced consideration of stakeholder interests.

Within that mission, the ACPM has been and will continue to be a supporter of good governance practices. These practices must have a purpose, they must recognize the various stakeholders, they must emphasize process and they must be balanced. With these goals in mind, the ACPM is questioning the purpose of proposed *National Instrument 81-107 – Independent Review Committee for Mutual Funds* (the "Instrument"). The conflicts of interest that the Instrument is trying to resolve probably exist (conflicts of interest are inevitable), but the additional costs and complexities proposed by this regulation do not seem to balance the benefit that may be achieved.

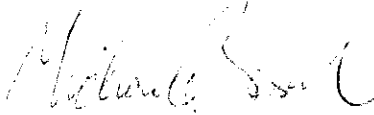
Nearly two years ago, a joint task force of the ACPM and Pension Investment Association of Canada (PIAC) responded to *Concept Proposal 81-402 Striking a New Balance: A Framework for Regulating Mutual Funds and their Managers* (see our letter of June 7, 2002 – copy enclosed). The observations and concerns put forth in that letter are still valid, in particular the statement concerning the costs associated with any form of regulation and the impact those costs have on the potential return of a member of a Capital Accumulation Plan. The formation of independent boards will have cost implications. As stated above, the ACPM is not convinced those costs are warranted in light of the harm they may be attempting to alleviate.

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In addition to the questions presented in that June, 2002 submission, there are additional questions as a result of this new proposal. Where will the mutual fund industry find sufficient expertise to meet the requirements of the proposal? How will quality of knowledge of prospective members of the committees be determined? Why would the proposal give the committee authority to set its own compensation? Would this not be better residing with another body so that accountability is achieved?

The ACPM endorses good governance. From that perspective we commend the Canadian Securities Administrators for its proposal. The ACPM's concern is centred around the cost versus the benefit of introducing this oversight body in the management of mutual funds. There may be other ways of achieving resolution of conflicts of interest issues that will not incur the level of costs that the ACPM is concerned may be generated by this proposal.

Yours truly,

A handwritten signature in cursive script, appearing to read "Michael Beswick".

Michael Beswick
Chair, Advocacy and Government Relations Committee
The Association of Canadian Pension Management

cc: Denise Brousseau, Secretary
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