

June 17, 2004

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

Denise Brousseau, Secretary
Autorité des marchés financiers du Québec
800, Square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec
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Dear Mr. Stevenson and Ms. Brousseau,

***RE: PROPOSED NATIONAL INSTRUMENT 81-107 INDEPENDENT REVIEW
COMMITTEE FOR MUTUAL FUNDS***

CARP joins the chorus of opposition to the Proposed National Instrument 81-107.

As Canada's largest national association for older Canadians, with over 400,000 members across the country, CARP's mandate is to protect and promote the rights and quality of life for our members – and, indeed, for the over 10 million Canadians who are 50 years of age or older.

Many of these people have their RRSPs, RRIFs, LIFs and other personal pensions invested in mutual funds. Therefore, it is imperative that they have unbiased protection from unscrupulous investment companies. Unfortunately, Instrument 87-107 does not accomplish this. And, it appears to weaken the protection, such as it is.

The proposed Rule will in effect loosen the rules and regulations regarding investment policies, full disclosure and other essential aspects of the mutual fund industry. Self-dealing and other related party transaction will be permitted. Enforcement powers against conflict of interest by investment houses and fund sponsors will be undermined.

Membership on this Committee will remain open to conflict of interest, such as is the case with the current SRO regulatory system. Barriers against conflicts of interest and undue influence from investment houses and financial advisers will be lowered.

Such trade-offs to win over industry approval for Instrument 87-107 will undoubtedly benefit the industry to the detriment of investors, particularly the legion of smaller investors and seniors. These people already are hampered by inadequate protection. The price to win over acceptance by investment house for a powerless Review Committee is too high. The rights and potential quality of life of investors, particularly small investors/seniors and retirees, must not be sacrificed to appease the rapacious greed of the mutual fund industry – in order to create a toothless Independent Review Committee.

What is required is a Review Committee that is truly independent of the direct influence of the mutual fund sponsor with power to investigate and enforce applicable rules and regulations that fully protect investors, particularly small investors. The majority of members on the Review Committee should include knowledgeable investors and unbiased experts with a minority of representatives from the mutual fund industry. e Committee must be directed to publish an annual report of its investigation and findings. It should ensure compliance by having the authority to punish wrongdoers. Punishments can range for being publicly identified, fined or revoking licenses to engage in the mutual fund industry for companies and individuals.

The bottom line is that a Independent Review Committee must not only be completely independent but it must also be seen to be independent and with real power to prevent wrongdoing. This objective can be accomplished by endowing it with the powers it requires to strongly enhance faith on the part of investors, It guiding principles must be accountability and transparency to the general public, whose protection must be of primary concern.

Sincerely,

Lillian Morgenthau
Co-Founder and President