

Board of Governors of the RBC Funds and RBC Private Pools

August 25, 2005

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
email: jstevenson@osc.gov.on.ca

and

Anne-Marie Beaudoin, Directrice du secretariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22^e étage
Montreal, Quebec H4Z 1G3
email: consultation-en-cours@lautorite.qc.ca

Dear Mr. Stevenson and Ms. Beaudoin:

Re: Proposed National Instrument 81-107 (“NI 81-107”)

We are pleased to submit comments on behalf of the Board of Governors of the RBC Funds and RBC Private Pools (collectively, the “funds”) in response to the Canadian Securities Administrators’ (the “CSA”) recently published proposed rule regarding mandatory fund governance. We are supportive of the basic structure proposed by the CSA in NI 81-107 as it demonstrates a recognition by the CSA that fund governance is an important component of the mutual fund regulatory regime.

We know that RBC Asset Management Inc. (“RBC AM”), the manager of the funds, will be submitting a detailed comment letter on NI 81-107. Accordingly, we have limited our comments to those questions that specifically relate to the role and structure of an independent fund governance agency.

History of the Board of Governors

The Board of Governors of the RBC Funds has been in existence for eleven years and this year also assumed governance oversight for the RBC Private Pools. Prior to the creation of the Board of Governors, a number of our existing members served as individual trustees and directors for the then Royfunds. Accordingly, we feel that we are well positioned to comment on NI 81-107 as we have first-hand experience in fund governance and have worked extensively with RBC AM in developing what we believe is an effective governance regime.

The Board of Governors is currently comprised of eight individuals who possess diverse backgrounds in financial services and other industries and represent different geographical regions in Canada.

Test for Independence

We are supportive of the principles for determining independence that are articulated in section 1.5 of NI 81-107. In particular, we support the concept that only a material relationship that could reasonably be perceived to interfere with the exercise of a member’s independent judgment will result in that person being not independent for the purposes of NI 81-107. Furthermore, we are pleased that the list of prescribed material relationships outlined in the previous draft of NI 81-107 has been removed as it was prescriptive and did not necessarily address the substance of the question as to whether a person possesses an independent mindset and is able to act without influence.

Ability to Delegate and Form Committees

Our mandate as the Board of Governors is to advise the trustee and the manager in the administration of their duties and deal with situations where there exists a conflict or potential conflict between the interests of the trustee or the manager of a fund or any affiliate of the trustee or the manager and the interest of such fund and its unitholders. The Board of Governors is permitted to establish committees and we have, to this date, created three committees.

The Audit Committee is comprised of four governors and provides guidance and advice to RBC AM relating to the annual financial statements of the funds, the engagement of the external auditor of the funds, internal controls and related-party service arrangements. The external auditors for the funds are invited to four Audit Committee meetings each year and at each of these meetings, the Audit Committee has an opportunity to meet privately with the external auditors. The Independent Committee is comprised of three governors and oversees related party conflicts with respect to the funds which have obtained regulatory relief and provides advice on perceived conflicts of interest relating to proxy voting. The Governance Committee is comprised of three governors and provides guidance and advice to the manager on issues relating to the composition of the Board of Governors and committees, compensation of members and fund governance in general. Each of the committees addresses different conflict issues and is therefore an integral component of the governance structure of the funds.

We have found that our committee structure, which permits the committees to make decisions on defined issues and either report or provide a recommendation to the Board of Governors, allows

us to deal with issues quickly, efficiently and cost effectively. Given the number of funds and assets under management, the structure of the manager and the number of issues to be examined by the Board of Governors, having each issue reviewed and considered by the full Board of Governors would be impractical.

We understand that while the CSA recognized that it was important to provide flexibility to fund managers in determining how to best structure their independent review committees (“IRC”), NI 81-107 does not specifically permit delegation or the creation of sub-committees. We urge the CSA to reconsider its position and include a provision in NI 81-107 that expressly authorizes an IRC to delegate decision-making authority to a sub-committee.

Requirement to Deliberate in the Absence of Management

We were disappointed to see that the CSA believes that it is essential that the IRC deliberate and make decisions in the absence of any representative of the manager or a related entity.

In our view and based on our experience, it is impractical and unnecessary to prohibit management representatives from being present for the deliberation and decision-making process as it frequently involves members of the IRC asking questions which only the manager or its representatives can answer. We currently have *in camera* sessions (at which only Governors are present) scheduled at every Board of Governors and committee meeting. Although we are confident that our members speak freely when management is present and that our decisions are reached without management influence, these sessions have proved very useful to us as they give us the opportunity to discuss issues privately (including those relating to management), if we feel that it is necessary.

Thank you for providing us with an opportunity to share our comments and concerns. If you have any questions or require additional information, please do not hesitate to contact Reena S. Lalji, Senior Counsel at 416-955-7826 (or by email at reena.lalji@rbc.com), who will ensure that your enquiry is forwarded to the Board of Governors.

Yours very truly,

“Gordon J. Feeney”

Gordon J. Feeney
Chairman, Board of Governors of the
RBC Funds and RBC Private Pools

“Elaine C. Phénix”

Elaine C. Phénix
Chairman, Governance Committee of the
Board of Governors of the RBC Funds and
RBC Private Pools

on behalf of the Board of Governors of the RBC Funds and RBC Private Pools

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Lloyd R. McGinnis
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