



August 29, 2005

DELIVERED & VIA E-MAIL

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
Securities Commission of 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

c/o Anne-Marie Beaudoin, Directrice du secretariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec, H4Z 1G3

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Dear Members of the Canadian Securities Administrators:

**Re: Request for Comment - Changes to Proposed National Instrument 81-107 –
Independent Review Committee for Investment Funds and Commentary
("NI 81-107" or the "Proposed Instrument") and Related Amendments**

We are pleased to comment on proposed NI 81-107 on behalf of Toronto Stock Exchange (TSX), as exchange-traded funds and investment funds continue to be growing and important market segments for TSX. As at December 31, 2004, there were 17 exchange-traded funds and 166 investment funds listed on TSX which together comprised approximately 2.6% or \$32.5 billion of TSX market capitalization and approximately 12.9% of all TSX listed issuers. Over the past five years, both the number of issuers in these market segments and their market capitalization has increased by over 250 per cent.

TSX encourages good governance practices for all its listed issuers and as such we support the introduction of a minimum, consistent standard of governance for these categories of listed issuers. TSX currently imposes a similar requirement on new listings in these market segments. When a fund, other than an exchange-traded fund, applying for listing has no independence at the director/trustee, fund manager or investment manager level, we require the creation of an advisory committee, with at least two independent members, to address potential conflict of interest matters.

We believe that full, fair, and timely disclosure allows investors to make informed investment decisions. As such, our comments below focus mainly on governance disclosure matters.

We believe that the basis for the determination that an Independent Review Committee (IRC) member is independent should be disclosed in a fund's annual information form (AIF) and a cross-reference to this AIF disclosure should be included in the IRC's annual report to securityholders. This is consistent with similar disclosure required under Form 58-101F1 - *Corporate Governance Disclosure* of National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (NI 58-101). We would also suggest disclosure of all other IRCs that each member is presently a member of, which is also consistent with NI 58-101.

In addition, we recommend that the fund's AIF include disclosure relating to competencies and experience of IRC members. This could be accomplished by disclosing the member's principal occupation at or within five years preceding the date of the AIF and, if not readily apparent from this employment history, a description of the individual's experience that is relevant to the performance of his or her responsibilities as an IRC member.

TSX also submits that the IRC's charter should be posted on the fund's website and disclosed in the fund's AIF. Section 3.4 of NI 81-107 makes the adoption of a written IRC charter mandatory, but does not require its disclosure. Disclosure of the charter will add more meaning to this provision as well as increase transparency of the IRC's mandate and functions. In addition, while the commentary to section 2.2 states that this section contemplates that a manager should identify for each fund all conflict of interest matters required to be referred to the IRC, there is no requirement to disclose these matters in either the IRC charter or the fund's disclosure documents. Again, in order to promote increased transparency, we believe these conflict of interest matters should be disclosed in the charter.

The request for comment asks for feedback on whether the minimum governance practices are best suited for the Proposed Instrument or should be moved into the commentary provisions. We believe that the key governance practices expected of the IRC and the manager should remain in NI 81-107, and should not be moved into the commentary. These expectations should be within the Proposed Instrument, particularly since, as currently drafted, NI 81-107 does not require disclosure of such practices. Many of our comments take the governance provisions one step further by suggesting disclosure requirements. This is consistent with similar disclosure required in NI 58-101 for issuers other than investment funds, and is in the interest of greater transparency.

Thank you for providing us the opportunity to comment on the Proposed Instrument. We would be pleased to discuss with you any of the topics outlined in this letter.

Yours very truly,

A handwritten signature in black ink that reads "Rik Parkhill". The signature is written in a cursive style with a horizontal line through the middle of the letters.

Rik Parkhill
President, TSX Markets
and Senior Vice President,
TSX Stock Exchange