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BARCLAYS GLOBAL INVESTORS

September 9, 2005

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marches 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
Suite 1903, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593-2318
Email: jstevenson@osc.gov.on.ca

- and -

Anne-Marie Beaudoin
Directice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800 Victoria Square
P.O. Box 246, 22nd Floor
Montreal, Québec H4Z 1G3
e-mail: consultation-en-cours@lautorite.qc.ca

Dear Sir and Madam,

Re: Notice and Request for Comment – Changes to Proposed National Instrument 81-107
Independent Review Committee for Investment Funds

We at Barclays Global Investors Canada Limited ("Barclays") believe that the Canadian Securities Administrators ("CSA") have taken an important step in releasing a revised version of proposed

National Instrument 81-107 (the Proposed Rule). Barclays continues to be a strong believer in effective fund governance and we believe the revised Proposed Rule is, in most respects, a significant improvement upon the original Proposed Rule. We thank you for your invitation to comment on the Proposed Rule. We continue to strongly believe in the value of meaningful dialogue between regulators and industry participants and commend the Canadian Securities Administrators for undertaking a thorough public consultation in connection with the Proposed Rule.

Barclays, which currently manages over $50 billion in assets, is one of Canada's largest and fastest growing investment managers. Barclays is part of a global investment management business that manages over one and a half trillion dollars in assets and we therefore have very broad experience in regulatory approaches applied to this industry, including various approaches taken to investment fund governance. Barclays does not manage any "traditional" mutual funds but manages the TSX listed iUnits family of exchange-traded funds and the BarclaysFunds family of closed-end funds. As a result, we are particularly interested in the expansion of the Proposed Rule to cover these types of products.

1. Application of Proposed Rule to All Publicly Offered Investment Funds

As noted above, Barclays does not manage any "traditional" mutual funds and the original Proposed Rule did not apply to any of the funds we do manage. The revised Proposed Rule however does apply to our iUnits family of exchange-traded funds and the BarclaysFund family of closed-end funds. As discussed with various members of the CSA subsequent to the release of the original Proposed Rule, we support the objective of creating an appropriate governance regime to consider real conflicts in connection with these additional types of publicly offered investment funds. Generally speaking, the revised Proposed Rule does provide for an appropriate regime and does address real conflicts and we therefore don't believe there is a principled basis for excluding the types of publicly offered investment funds we manage from the applicability of the Proposed Rule. There are however two areas where we believe that the Proposed Rule should be revised to make it more fully meet this objective.

Conflicts Subject to IRC Review: We generally support the move to a more principles based approach to determining whether relevant conflicts exist and agree that it would be impossible to provide a complete list of relevant conflicts. The "structural" conflicts identified in the Proposed Rule are clear and we agree that they should be subject to review by an IRC. The "business" or "operational" conflicts however are not as clear and we believe that in this area additional guidance would be helpful and, we believe, could be provided in a manner consistent with the move away from "prescriptions" as to relevant conflicts. In a "for profit" investment management industry, almost every business decision will give rise to a potential conflict (from the most simple employment related decisions to broad decisions on third party service providers and any other area where a manager is required to make a decision and "cost" is one consideration). Under existing corporate law, directors of investment management firms are legally obligated to ensure that these decisions are made in the best interest of shareholders of the corporation. Setting up a competing governance body with an at least somewhat inconsistent mandate is inappropriate. In addition to

the potential conflict between these two governance mechanisms, we expect that in the absence of guidance being offered, most managers, including Barclays, and IRC members will take a conservative approach to ensure they are not "second guessed" with the result that the number of meetings and corresponding costs of the IRC will be significantly higher than estimated by the CSA. At a minimum, a list of various types of business or operational decisions that are outside the scope of the IRC's jurisdiction should be established.

Cost of IRC: In determining whether the application of the Proposed Rule to the types of funds we manage is appropriate, it is also essential to consider the cost. One of the most significant benefits of our iUnits funds is their very low fee. For example, our largest fund, the "i60 Fund" has a maximum, all in fee, of 17 basis points. This is made up of a 15 basis point management fee and up to 2 basis points of additional expenses. All of our other funds have a single "all in" fee ranging from 17 to 55 basis points. We've reviewed material published by the Investment Company Institute in the U.S. on the level of fees paid to directors of U.S. investment companies. Even allowing for a sizeable discount given the more limited scope of the obligations of an IRC, we are very concerned with the impact the Proposed Rule on the availability to Canadian investors of innovative, low cost investment funds such as our iUnits funds. It is essential to the viability of these products that the additional costs arising as a result of the Proposed Rule are kept to an absolute minimum and an important part of accomplishing this will be to ensure that potential IRC members are aware of the scope of their obligations. Given the transparent, non-discretionary indexing strategies utilized by the iUnits funds and the manner in which they are distributed and traded, the types of structural and operational conflicts that are likely to arise are quite limited. Other than potential related party transactions, it is unlikely that any structural or business conflicts other than the type of day-to-day conflict described above that is inevitable and accepted in a "for profit" industry will arise. If IRC members are confident that they are not being asked to review these day-to-day matters, we believe that highly qualified individuals will be willing to act as IRC members for our funds on a reasonably efficient and therefore, cost-effective basis. We therefore again urge the CSA to provide clarity to potential IRC members as to the types of business or operational conflicts they are expected to review.

2. Anticipated Costs and Benefits

We generally agree with the CSA's view that, as is the case with our iUnits funds, the scope of IRC review for most smaller investment funds may be less burdensome than for larger investment funds. However, this will clearly not be the case in all circumstances. The size of our iUnits funds varies from approximately $100 million to over $7 billion yet we have no reason to believe that the scope of the IRC's obligations in respect of the smaller funds will be materially different than in respect of the larger funds. Within a fund complex, one potential solution would be to have the fee payable to the IRC be based upon AUM and not be a flat fee payable by each fund. The specific compensation model adopted should be left to the IRC and fund manager however. The more important consideration is that the CSA's view assumes that there will be no structural conflicts and may be fewer business conflicts for smaller funds. The absence of structural conflicts is more likely to be driven by the size and structure of the fund manager rather than the size of the fund. In respect of business or operational conflicts, we are skeptical that the size of the fund or fund manager will materially impact the scope of IRC review. In the absence of more specific guidance from the CSA, we expect that most fund managers and IRC members will take a conservative approach to these matters and that the burden could be quite extensive.

3. Structure of IRC Compensation for iUnits Funds

Section 3.10 of the Proposed Rule requires that the investment fund pay from the assets of its fund the compensation and expenses payable to the members of the IRC and any advisors employed by the IRC as well as the costs of IRC member orientation and education and other costs reasonably incurred by the IRC. As noted above, for all but one of our iUnits funds, we have implemented a fee structure which provides for a flat fee to be paid to Barclays and Barclays is responsible for payment of all expenses of those funds. For the one other fund there is a flat fee and then a maximum of 2 basis points of additional fees that the fund can pay and that 2 basis points is currently being fully utilized for existing expenses. The result is that for all of the iUnits funds, the Proposed Rule would require the funds to pay a fee which is inconsistent with the existing fee structure, prospectus disclosure and "commercial arrangement". To comply with the Proposed Rule, Barclays would be required to call unitholder meetings (the expense of which is emphasized as part of the cost benefit analysis of the Proposed Rule) to seek approval to comply with the Proposed Rule and unitholders might very well reject the proposal. We therefore encourage the CSA to provide in the Proposed Rule for an exemption from the unitholder approval requirement for an increase in fees where that increase is solely a result of complying with the Proposed Rule. Barclays would provide prior notice to unitholders of the fee increase but we do not believe it is in the best interest of unitholders to incur the expense of unitholder meetings simply to comply with the Proposed Rule.

4. Other Comments

Smaller Investment Fund: As noted above, we believe that the similar conflicts are likely to arise for funds regardless of size. The more important factor is the size and structure of the fund manager. For example, a small fund managed by the investment management group within a large Canadian financial institution with broker dealer, banking, insurance and other affiliates is likely to have more conflicts to cope with than a single fund, regardless of size, managed by an independent investment manager. In many cases, smaller, independent managers are likely to have more small funds but we don't agree with the general proposition that "smaller funds are likely to have fewer conflicts".

Keeping Existing Rules: We support the change to the Proposed Rule which maintains the existing conflicts rules but contemplates exemptions from some of those rules where the IRC has approved the manager's approach to addressing the relevant conflict. This leaves greater flexibility in the hands of fund managers in managing the costs of IRC's and weighing those costs against the benefits of seeking IRC approval to undertake certain types of activities. In our submission on the previous draft Proposed Rule, we stated our view that a rollback of certain existing prescriptive regulations should accompany the governance regime. Given the scope of the obligations of the IRC contemplated in the previous draft and the underlying assumption that all conflicts would be referred to the IRC we felt it appropriate that those conflicts not continue to be prohibited by law. The approach reflected in the revised draft Proposed Rule which leaves it to the manager to determine if it wishes to undertake those activities prohibited at law and, if so, to obtain approval from an IRC with a more limited mandate sufficiently addresses our concern in respect of this issue.

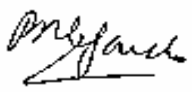
Governance Practices: We support the additional specificity on minimum governance practices expected of the IRC and the fund manager. As noted above, we believe it is very important for you to go further in specifying business and operational conflicts which the IRC is expected to review.

This specificity on substance, as much as the specificity on governance practices, is essential to ensure an effective and efficient governance regime that appropriately balances costs and benefits.

Conclusion

As stated above, Barclays continues to be a strong supporter of enhanced and effective governance in the investment fund industry. We believe that it is in the long term best interests of Canadian investors, Canadian fund managers and Canadian capital markets that conflicts in the management of investment funds are appropriately identified and addressed. The introduction of the Proposed Rule will provide the basis for a more flexible approach to the regulation of conflicts in this industry. As noted above, the Proposed Rule does need to be further revised in a number of areas, particularly as it applies to low fee, transparent, non-discretionary, index based Exchange Traded Funds. We therefore thank you again for the opportunity to comment on the Proposed Rule. Please contact the undersigned or Warren Collier (416-643-4075 or warren.collier@barclaysglobal.com) if you have any questions, or would like additional information in respect of any of the points made in this letter.

Sincerely,



Rajiv Silgardo
President, CEO and CIO

Cc: Howard Atkinson, Barclays
Geri James, Barclays
Warren Collier, Barclays