

1.1.3 OSC Staff Notice 11-743 IOSCO Publishes Consultation Report Concerning Governance of Collective Investment Schemes

OSC STAFF NOTICE 11-743

IOSCO PUBLISHES CONSULTATION REPORT CONCERNING GOVERNANCE OF COLLECTIVE INVESTMENT SCHEMES

On February 11, 2005, Standing Committee 5 (SC5)¹ of the International Organization of Securities Commissions (IOSCO) published a Consultation Report, *Examination of Governance for Collective Investment Schemes*.² This is the first time that IOSCO has examined CIS governance in a comprehensive manner. In preparing this report, SC5 took into account IOSCO's core principles for CIS, prior IOSCO studies that considered certain aspects of CIS governance and the results of a survey completed by SC5 members regarding CIS governance models in their respective jurisdictions.

The Consultation Report proposes the following definition of CIS governance:

“a framework for the organization and operation of CIS that seeks to ensure that CIS are organized and operated efficiently and exclusively in the interests of CIS investors, and not in the interests of CIS insiders”.

The Consultation Report also discusses how CIS governance structures can be developed, based on the corporate and contractual models for CIS organization, and concludes that CIS governance must provide for the independent review and oversight of the CIS' operations, regardless of how CIS are structured in any given jurisdiction. In the next phase of this project, SC5 expects to develop further this principle of independent review (e.g. by identifying the functions that should be entrusted to the independent review entity) and also plans to identify and elaborate on other principles of CIS governance.

Copies of the Consultation Report have been posted on the Ontario Securities Commission's website at www.osc.gov.on.ca (International Affairs – Current Consultations) and on the website of the International Organization of Securities Commissions at www.iosco.org. (Library – Public Document #183).

¹ The Commission is a member of IOSCO and participates in Standing Committee 5. More information about IOSCO and the Commission's participation in IOSCO can be found on the Commission's website at www.osc.gov.on.ca (International Affairs – Who's Who).

² The term “collective investment schemes” encompasses open-ended funds that redeem units or shares, closed-end funds whose units or shares are traded in securities markets, unit investment trusts, and collective investment vehicles based on contractual models and the European UCITS (Undertakings for Collective Investments in Transferable Securities) model.

The Commission encourages the Canadian investment funds industry to comment on the Consultation Paper. The comment period will remain open until May 11, 2005. Please submit comments by email to mail@oicv.iosco.org. Please include in the subject line of the email “Public Comment on Consultation Report: *Examination of Governance for Collective Investment Schemes*”.

Please do not submit comments to the Commission.

Questions may be referred to:

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