



Federation of
Mutual Fund Dealers

August 6, 2009

Mr. Jason Bennett
Corporate Secretary & Director, Regional Councils
Mutual Fund Dealers Association of Canada
jbennett@mfd.ca

Dear Mr. Bennett:

**RE: MFDA Bulletin #0384-M Report of Task Force on Governance Issues
– Comment Solicitation**

This submission is provided by the Federation of Mutual Fund Dealers (the “Federation”) and sets out our comments regarding the above noted Bulletin.

On behalf of the Federation, thank you for the opportunity to attend the July 8th meeting. We found that discussion a very helpful aid in our contemplation of these matters. We also acknowledge the transparency to-date including the July 20th Member meeting and we appreciate the time and effort put forward by the members of the Task Force, in particular the contributions of both members from outside the Board’s Governance Committee.

The Federation also generally supports the completed and intended improvements to the policy formation process as described in Bulletin #0389-P *MFDA Policy Development Process* and the Strategic Plan. Our Membership will discuss and no doubt submit comments on these initiatives under separate cover.

Members of the Federation were encouraged that the Terms of Reference for the Task Force included consideration of “the process for making and/or amending the By-laws and Rules of the MFDA.” Many of the points listed under “Mandate” in the Terms of Reference would have fallen under this item and we trust would have been addressed by the Task Force if it had sufficient time. We suggest though that given its ten years experience to-date the MFDA consider conducting a thorough review of its fundamental principles and the process by which they arose, as expressed in the current By-Laws and Rules. Unfortunately such a review cannot be achieved in an incremental fashion and is probably best suited to a dedicated task force or committee.



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The Federation respectfully submits that the Board was quite correct in identifying this process as a critical item and that it not be left behind. We ask the Task Force and the Board to recommit to the original intent of getting to the bottom of the Issues arising from the 2008 AGM and consider an appropriate structure and time for conducting this review and analysis. We recommend that such a project commence within a year and if properly conducted may preclude the need for the three year review contemplated in respect of the particular changes recommended by the Task Force in the current Report.

We note and appreciate the proposed amendments including Board composition to include two industry directors at all times; four two year terms of office for all directors; and redefining the term *Public Directors*. However, before we can consider our comments final, we would appreciate the opportunity to review the revised By-laws and Governance Committee Terms of Reference which will be a key element in the success of the overall process.

On July 8th we also discussed looking for further clarification around voting; and a method to measure the results of these amendments. We anticipate that these matters will also be addressed in the revised Terms of Reference.

Notwithstanding our previous comments, we agree with the suggestion made by The Investment Funds Institute of Canada in their comment letter regarding a formal provision for a review of the proposed process. Three years is a reasonable suggestion but we suggest an annual less formal review until the various current elements at play are behind us.

Thank you for the opportunity to comment. Do not hesitate to contact the undersigned or any Member of our Board should you have any questions.

Regards,

Federation of Mutual Fund Dealers



Sandra L. Kegie
Executive Director