



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

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BULLETIN #0356 – M
February 12, 2009

MFDA Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

Matters Arising from the Annual Meeting of MFDA Members

At the Annual General and Special Meeting (“AGM”) of the Members of the Mutual Fund Dealers Association of Canada (“MFDA”) held on December 4, 2008, a number of issues relating to the governance of the MFDA were discussed or resulted from the meeting. The primary issues that have arisen relate to:

- failure to pass By-law 15 respecting the definition of Public Director and the terms of office of all directors;
- the process for nominating and selecting members of the Board;
- the process for making and/or amending the By-laws and Rules of the MFDA; and
- the failure to elect three proposed Public Directors.

The foregoing issues are important to the good governance of the MFDA and the fulfillment of its mandate as a self-regulatory organization recognized by certain members of the Canadian Securities Administrators (“CSA”). Accordingly, the MFDA has made it a priority to consider and seek an appropriate resolution of these issues in the interests of the investing public, MFDA Members and the members of the CSA.

The Board of Directors has determined to have a full review of the governance issues conducted with a view to seeking and adopting solutions that will best serve the interests identified above. A Task Force will be established comprising the Governance Committee and additional members from smaller dealers and the public. The Task Force will conduct a review of the relevant governance principles and engage in a robust consultation process with Members, the CSA and interested members of the public.

The failure to elect, as proposed, three Public Directors at the December 2008 AGM also raises issues with respect to the constitution of the current Board of the MFDA. The approach of the Board (which avoids attempting to utilize the current nomination / election process which is itself a subject of the review) is to maintain its current composition with one vacancy of a Public Director in order that the Board can continue to oversee the operations of the MFDA with an appropriate balance of Industry and Public Directors. This interim position is consistent with the corporate legal principles that are applicable in the circumstances.

In view of the nature of the issues that have arisen, there is a need to proceed expeditiously. As noted above, the Task Force will undertake a robust consultation process and will also ensure that all interested stakeholders are provided an opportunity to provide input.

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BULLETIN #0365-M
March 30, 2009

MFDA Bulletin

Membership Information

for Distribution to Relevant Parties within your Firm

Task Force on Governance Issues

The Mutual Fund Dealers Association of Canada (“MFDA”) has established a Task Force on Governance Issues as advised in MFDA Bulletin #0356-M dated February 12, 2009. Reference is made to that Bulletin for background and the circumstances of the establishment of the Task Force.

The MFDA Board of Directors has adopted Terms of Reference for the Task Force which, in summary, direct the Task Force to consider and make recommendations in respect of governance issues that arose in connection with the MFDA’s Annual General Meeting of Members held in December 2008. The particular issues to be reviewed were specified in MFDA Bulletin #0356-M. The Task Force is to deliver its draft Report to the MFDA Board in time for the Board’s consideration at its meeting to be held on June 4, 2009.

The mandate of the Task Force includes consultation with the relevant constituencies and interested persons (including Board members, MFDA staff, MFDA Members, regulators, governments, industry organizations and clients) to the extent and in a manner it determines to be appropriate. It can be expected, accordingly, that the Task Force will solicit the views, wishes, expectations and proposed solutions or changes on the issues being reviewed from these constituencies including, in particular, MFDA Members.

The MFDA Board determined that the Task Force would be comprised of the Governance Committee with additional members representing small dealers and the public. The composition of the Task Force is as follows:

Chair: Martin L. Friedland, Q.C., Public Director
Professor of Law, University of Toronto

Membership: George Aguiar, Industry Director
President and CEO, GP Wealth Management Corporation

Ed Legzdins, Industry Director
Sr. Vice-President and Head of Retail Investments, Bank of Montreal

Robert J. Wright, Q.C., Public Director
Edinglen Holdings Inc.

Thomas B. K. Martin, C.A., Industry Member
Chairman, Martin + Becker Financial Management Ltd

Paul M. Moore, Q.C., Public Member
Bennett Jones LLP

The Task Force's initial meeting was held on March 27, 2009 and their next meeting is scheduled for April 7, 2009.



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BULLETIN #0366 - M
April 16, 2009

MFDA Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

Task Force on Governance Issues – Comment Solicitation

Reference is made to MFDA Bulletins 356-M and 365-M. The Task Force has now had three meetings to consider the issues described in these Bulletins. The Task Force is seeking preliminary comment from Members to assist it in developing its initial recommendations for consideration by the MFDA Board.

Specifically, the Task Force is currently exploring the following possible course of action and would like Member input on this approach or any other suggested approach Members may have.

Further consultation with Members will take place once a firm proposal is reached.

Course of Action Under Consideration:

Part A. By-law Amendments

1. Consider a special meeting of Members to confirm the aspects of By-law 15 as proposed at the 2008 AGM that appear to be supported by most Members, together with one or more of the following initiatives listed below.
2. Amend By-law 1 to increase the Board size to 15, thereby adding an additional Industry and Public Director. This would enable the Governance Committee to better ensure that all Member constituencies are adequately represented on the Board.
3. Amend By-law 1 to require that at least two of the Industry Directors represent Level 1, 2 or 3 Members. This would be coupled with requirements in the Terms of Reference of the Governance Committee described in Part B below that a ‘small’ and ‘medium’ size Member must be represented on the Board.

Part B. Change Terms of Reference of Governance Committee

4. Consider amendments to Governance Committee's Terms of Reference to provide that the Committee, in recommending nominees to the Board, will take into account the following:
 - i. In the case of Public Directors:
 - An appropriate cooling off period (e.g. 1-2 years) for nominees previously associated with a Member or the industry; and
 - A process for taking into account potential conflicts of interest such as material business or other relationship with Members\industry that could interfere with the exercise of independent judgment.
 - ii. In the case of Industry Directors:
 - Diversity of membership based on size, business type and ownership structure;
 - At least 1 nominee will represent a 'small' size Member with less than 10 APs and AUA of less than \$100 Million; and
 - At least 1 nominee will represent a 'medium' size Member with 10 – 100 APs and AUA of \$100-\$500 Million.
 - iii. In the case of all Directors:
 - Appropriate regional representation;
 - Appropriate gender representation;
 - Appropriate experience; and
 - Previous or current significant enforcement, compliance or other regulatory concerns.

Part C. Changes to, and Full Transparency of, Nomination Process

5. Consider changes to the Director nomination process to allow for greater clarity and participation by Members. Possibilities include:
 - i. On a yearly basis, invite non-Director Member representatives to participate with the Governance Committee in its consideration of eligible nominees.
 - ii. Rewrite and make more specific the nominating principles, criteria and processes for Director nominees.
6. Provide greater transparency to the nomination process using the Members' Only Section of the MFDA website, including:
 - i. Each year at the time of Director nominee solicitation, advise the Members of:
 - the Industry Directors resigning or whose terms expire;
 - the Industry Directors eligible for reappointment; and
 - the sector type the Board is seeking to fill (e.g. small Member) and specifically seek nominations from that sector.
 - ii. Communicate the objective screening criteria that will be employed to determine if a proposed Industry Director nominee is 'eligible' for consideration (i.e. no

significant compliance\enforcement concerns or sector type already represented on Board).

- iii. Communicate the principles, criteria and processes the Governance Committee will take into account in its consideration of the eligible nominees; and
- iv. Advise Members of all eligible Industry Director nominees being considered by the Committee (i.e. name, Member, Member type, number of APs, AUA and geographic location) and solicit Member comments.

Request for Comments by May 16, 2009:

Members are invited by the Task Force to forward their comments on this proposal or any other proposal to the attention of Jason Bennett, Corporate Secretary, at 121 King St. West, Suite 1000, Toronto, Ontario, M5H 3T9 or jbennett@mfd.ca.



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BULLETIN #0384 – M
June 26, 2009

MFDA Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

Report of Task Force on Governance Issues – Comment Solicitation

Reference is made to MFDA [Bulletin #366-M](#) – *Task Force on Governance Issues: Comment Solicitation*. The Task Force received 14 submissions in response to the Bulletin and has held a total of 7 meetings to discuss the governance issues and comments received. On June 22, 2009, the Task Force tabled its Report at a meeting of the MFDA Board of Directors. The Board unanimously approved the publication of the Report for a 30-day comment period open to Members and other interested stakeholders.

A copy of the [Report of Task Force on Governance Issues](#) is available on the MFDA website. Hard copies of the Report have also been mailed to all Members and other stakeholders.

Members and other stakeholders are invited by the Task Force to forward their comments on the Report to the attention of Jason Bennett, Corporate Secretary, at 121 King St. West, Suite 1000, Toronto, Ontario, M5H 3T9 or jbennett@mfd.ca by no later than **Thursday, July 30, 2009**.

Please note that comment letters received may be published on the MFDA website and included in future publicly available MFDA communications.

It is anticipated that the Task Force and the Board of Directors will meet in mid-August to review the comments received and a Final Report will be circulated to Members in late-August in advance of a Special Meeting of Members planned to be held on October 2, 2009.

Doc 177541



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BULLETIN #0387-M
July 7, 2009

MFDA Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

Special Meeting of Members

The MFDA will hold a Special Meeting of Members on Friday, October 2, 2009 at 11:00 a.m. (Eastern).

The Special Meeting of Members will take place at the St. Andrew's Club and Conference Centre, 150 King Street West, 27th Floor, Toronto, Ontario.



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BULLETIN #0390 – M
August 18, 2009

MFDA Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

Final Report of Task Force on Governance Issues

The MFDA Board of Directors today approved the final Report of the Task Force on Governance Issues and endorsed the recommendations made therein.

As announced in MFDA Bulletin [#0384-M](#), on June 22, 2009 the Board of Directors approved the publication of the Report for a 30-day comment period open to Members and other interested stakeholders. The Task Force met on August 11, 2009 to review the comments received and tabled its final Report at a meeting of the Board of Directors held today.

A copy of the final [Report of Task Force on Governance Issues](#) is available on the MFDA website.

Hard copies of the Report will be included in the Special Meeting materials to be sent to all Members in late-August in connection with the Special Meeting of Members being held on October 2, 2009 at 11:00 a.m. at the St. Andrew's Club and Conference Centre, 150 King Street West, 27th Floor, Toronto, Ontario, as announced in Bulletin [#0387-M](#).

Doc 182925