



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

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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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