



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

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**BULLETIN #0366 - M**  
April 16, 2009

# MFDA Bulletin

## Membership Information

**For Distribution to Relevant Parties within your Firm**

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### **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](mailto:jbennett@mfd.ca).