



Canadian Foundation *for*
Advancement *of* Investor Rights

August 6, 2009

Mr. Jason Bennett, Corporate Secretary
Mutual Fund Dealers Association of Canada
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Re: *Task Force on Governance Issues – MFDA Request for Comments*

We are pleased to provide you with the comments of the Canadian Foundation for the Advancement of Investor Rights (“FAIR Canada”) in response to the above request for comments on the recommendations proposed by the *Task Force on Governance Issues* (solicitation for comments issued on June 26, 2009, MFDA Bulletin #0384-M).

FAIR Canada is a non-profit, independent national organization dedicated to representing the interests of Canadian investors. The mission of FAIR Canada is to be a voice for investors in securities regulation and a catalyst for enhancement of the rights of Canadian shareholders and retail investors. Visit www.faircanada.ca for more information.

SUBMISSIONS

In its *Report on Governance Issues* the MFDA Task Force made a number of recommendations. FAIR Canada wishes to comment on two specific items:

- 1) The need for specific representation of retail investors on the MFDA Board.
- 2) The procedures governing solicitation and selection of candidates for the Board of Directors.

Retail Investor Representation on the MFDA Board of Directors

FAIR Canada is supportive of the MFDA initiative to make the procedures and criteria of Director selection more transparent and easily accessible to the public. Selection of the Board of Directors and governance of the MFDA requires even more clarity. The MFDA Board of Directors would greatly benefit from more diversity. It requires, in particular, more representation of retail investor interests and perspective.

The MFDA's declared vision is to raise "the standard of regulation in Canada for the protection of investors through commitment to collaboration, staff excellence and regulatory best practices." Never has the need for such investor protection been greater. To best represent those investors (essentially retail investors), FAIR Canada believes that the MFDA, the mutual funds industry, and all investors would benefit from the express inclusion of two retail investor representatives on the MFDA's Board of Directors.

We have the highest regard for the current members of the MFDA Board. Both the industry representatives and the public directors are people of accomplishment and impressive track records who are serving the public good.

The definition of "Public Director" in the MFDA by-law requires that a Public Director have no affiliation with any of the MFDA members. This definition does not address investor representation among the MFDA Public Directors.

Many current or retired investors with particular experience with or sensitivity to the retail investor perspective could increase the diversity, range of experience and credibility of the MFDA Board. We believe that without such a specific mandate to appoint Public Directors who bring a retail investor perspective, the needs of the people for whom the industry is being regulated too often are not fully understood, get neglected or placed in secondary positions of importance. At least two such representatives are needed to avoid tokenism and the isolation of a single consumer representative.

Soliciting Nominees to the MFDA Board

The Governance Committee identifies and recommends candidates to be nominated as new Directors for the MFDA's Board. Established by the Board of Directors, the Governance Committee is currently composed of four Directors. As a result, the process of selection and nomination of Public Directors is largely self-referential, and lacks both transparency and independence.

The MFDA Task Force recommended that "the MFDA review and improve its process for actively soliciting recommendations for directors of the Board. The Task Force further pointed out that "the number of potential nominees or volunteers to act as Directors has been minimal for some years [...] the MFDA and its Governance Committee needs to be more proactive in soliciting recommendation for nominees." (Recommendation No.8, Report of Task Force on Governance Issues, June 22, 2009.)

To increase the range of potential candidates for the MFDA Board, the Governance Committee should consider consulting investor advocates and even retaining a search firm/organization with a broad mandate to facilitate potential nominee identification. This may assist the members of the Governance Committee who many not personally know qualified people who can represent the retail investor perspective.

CONCLUSION

FAIR Canada supports the MFDA initiative to review its governance practices. It is absolutely crucial that the MFDA Board of Directors have the best representation from all major stakeholders, especially retail investors and the mutual fund industry. The proposed changes to the present MFDA by-laws and governance procedures should go further. We call on the MFDA to review its by-laws to include at least two representatives with expertise in retail investor issues and perspectives on its Board of Directors.

Finally, we note that our submission is being filed after the 30 day comment period and thank you for taking our comments in account. In this regard we strongly endorse the new policy articulated in MFDA Bulletin 0389-P that the “MFDA will strive that the comment period for material proposals ranges from 60 to 120 days.”

We would be pleased to discuss our comments with you in more detail at any time.

Sincerely,

Canadian Foundation for Advancement of Investor Rights

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