

Appendix A

The B.C. Securities Commission has some specific questions they would like you to comment on. They are:

1. The Proposed Rule gives some flexibility for how a fund establishes its independent review committee. However, the definition of independence in the Rule would prevent for example, a committee of the fund manager's board from being the independent review committee. Do you think we should provide more flexibility for the composition of the independent review committee? What benefits would there be to investors and fund managers if the Rule were more flexible? Would there be any inherent conflicts in the structure(s) you are proposing?
2. The Proposed Rule (see commentary 2 following s. 2.1 of the Rule) would allow fund complexes to, among other things, "share" an independent review committee with other fund complexes if it was appropriate for them. Is this practical? Would the members of an independent review committee be able to serve each fund complex impartially, given their responsibilities to the unitholders of each fund? What other approaches could small fund complexes use to establish an independent review committee?
3. The Proposed Rule has, as a foundation, that all fund complexes face conflicts of some sort - either business conflicts, or conflicts because of their relationships with other parties. Because of these conflicts, the rule would require all funds to have an independent review committee. Do you agree that we should impose this regime on all funds, or should we limit it to funds that wish to trade with, or invest in, related parties? What other mechanisms could we consider to ensure funds manage their general business conflicts properly and protect the interests of fund investors?
4. As a consequence of introducing a mandatory fund governance regime, we propose to remove the existing restrictions that prohibited funds from investing in related party securities, and engaging in other transactions with related parties. Could we relax these current restrictions without imposing a fund governance regime? What other mechanisms could we consider to manage related party conflicts and protect the interests of fund investors?