



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

MUTUAL FUND DEALERS ASSOCIATION OF CANADA
(the “MFDA”)

BOARD CHARTER

Introduction

The MFDA is the national self-regulatory organization for mutual fund dealers. It is responsible for regulating the operations, standards of practice and business conduct of its members and their Approved Persons (as defined in the MFDA’s Articles) with a view to enhancing investor protection and strengthening public confidence in the Canadian mutual fund industry.

The MFDA is recognized by the securities regulatory authorities of each of Ontario, Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia, New Brunswick and Prince Edward Island and its authority is subject to the terms and conditions of recognition orders (the “**Recognition Orders**”) of such regulators. The MFDA is also a party to a Co-operative Agreement with securities regulatory authorities in the Province of Quebec.

The Board of Directors of the MFDA (the “**Board**”) will oversee and supervise the management of the business of the MFDA including the appointment of a competent management team to manage the day-to-day operations of the MFDA. The Board will oversee the MFDA’s systems of corporate governance and ensure that management has adopted a system of financial reporting and internal controls appropriate for the MFDA. The Board’s oversight and supervision activities, and the exercise of its responsibilities under this Charter, will be consistent with the strategic plan and vision as may be adopted by the Board from time to time.

Governance

The Board shall supervise the management of the activities and affairs of the MFDA. The Board has a function independent of management and is not responsible for the day-to-day affairs of the MFDA. The Board will adopt governance structures and processes in order to support high ethical standards and integrity.

Authority and Responsibilities of the Board

Board members participate in the oversight of management and are expected to exercise their business judgement on an informed basis, in good faith, and with the belief that the actions taken will serve the best interests of the MFDA and the public interest in a manner consistent with its self-regulatory mandate.

Board members are expected to attend Board and Committee meetings, observe strict confidentiality of all matters presented to the Board or their appropriate Committee, and act in the best interests of the MFDA and the public, consistent with their standard of care and fiduciary duty.

Board members are expected to be mindful of potential conflicts of interest arising from the MFDA's role as regulator and not a trade or industry association, and to appropriately balance the interests of the public and its members (and their representatives) as participants in the mutual fund distribution business.

Specific Responsibilities

The Board's responsibilities include the following:

Appointment and Supervision of Management

1. Appoint the President and Chief Executive Officer ("CEO") who, together with other officers and employees, is responsible for management of the operations of the MFDA.
2. Monitor the performance of the CEO against a set of mutually agreed upon objectives and approve CEO compensation determined appropriate for the MFDA.

Governance, Strategic Planning and Risk Management

3. Oversee management's development and implementation of a strategic planning process for the MFDA.
4. Review and, if appropriate, approve any strategic plan proposed for the MFDA.
5. Review the MFDA's corporate governance model periodically to ensure that the model appropriately reflects the evolution of the Canadian capital markets and mutual fund dealer industry.
6. Review and, if appropriate, approve any required changes in the MFDA's By-laws and Rules and any other matters requiring member or regulatory approval.
7. Monitor the sufficiency of the MFDA's financial resources for the proper performance of its regulatory responsibilities.
8. Oversee management's development and implementation of a risk management process for the MFDA.

Financial Management and Reporting

9. Review and approve the MFDA's annual financial plan.
10. Receive and approve annual and quarterly financial statements and review and oversee the MFDA's compliance with applicable audit, accounting and financial reporting requirements.
11. Ensure the MFDA's fee model is appropriate and meets the requirements of all applicable Recognition Orders.

Operation of the Board

General

The Board will meet at least four times a year, or more frequently as it deems necessary to carry out its responsibilities.

Board members are expected to attend and participate regularly in Board and Committee meetings.

An *in camera* session of all directors shall be held at every board meeting to offer the opportunity for all Board members (including the CEO) to meet without management as well as for the Board to meet without the CEO. The Chair shall report to the CEO and Corporate Secretary any actions taken during these *in camera* sessions.

The Board will appoint Board committees to facilitate and assist in the execution of the Board's responsibilities. The MFDA's Board Committees include the Governance, Audit and Finance, and Regulatory Issues Committees. The Board may adopt terms of reference for any of its committees.

In discharging its responsibilities, the Board and its Committees will have the authority to obtain, at the MFDA's expense, advice and assistance from internal resources and external advisors or professionals it deems appropriate.

Communications

Communications by and among Board members with respect to the affairs of the MFDA are expected to be conducted through, or with knowledge of, the Chair, Committee Chairs, CEO, Corporate Secretary or other designated officer as appropriate in order to ensure transparency, subject to circumstances where confidentiality or other legal constraints requires otherwise.

Committees and Committee Chairs

The duties and responsibilities of the Board and, to an extent, the Chair of the Board, may be delegated to Board committees. Committees are delegates of the Board and their conduct and principles of operation are expected to be consistent with the provisions of this Charter as it relates to the Board in general.

The Board will establish terms of reference to provide for the mandate, responsibilities and operating principles of such committees and their members (including the chair of the committee). The terms of reference of a committee may specify, as determined appropriate by the Board, the general and detailed duties and responsibilities of that committee and its members.

Committee terms of reference may provide for the role of a committee chair which, to the extent not specified otherwise, will be similar to the role of the Chair of the Board as relevant to the committee's activities.

Role of the Chair

The principal responsibilities of the Chair are as follows:

- (a) The Chair will act in accordance with the By-laws of the MFDA including presiding at meetings of the Board and guiding and directing the Board's activities, recognizing that the Board is responsible for oversight of the MFDA's management.
- (b) The Chair will preside at meetings of members to ensure that such meetings are conducted in an orderly fashion.
- (c) The Chair, in conjunction with the CEO, with the support of the Corporate Secretary, will establish an agenda for each Board meeting and endeavour to ensure that Board materials, including all relevant information for the Board meetings, are provided to the Board on a timely basis and in advance of the Board meeting.
- (d) The Chair will be the primary communication contact by the Board with the CEO (and through him or her management of the MFDA) on the general affairs of the MFDA. In this regard it is recognized that the respective mandates of the Board, its Committees, Committee Chairs, the CEO and management require communication directly between those bodies and persons, and they each are expected to carry out their respective duties in a transparent and collaborative manner appropriate to the particular matters and subjects involved.
- (e) The Chair, chairs of Board Committees and the CEO will have a positive collaborative relationship to ensure transparency, consistency, efficiency and effectiveness in the operations of the Board, its Committees and management.
- (f) In conjunction with the Governance Committee, the Chair is to assess the performance of directors collectively and individually and, where desirable, provide individual performance feedback to Board members.
- (g) The Chair will be responsible for reviewing, assessing and assisting in the resolution of conflicts of interest referred to or identified by him or her, subject to matters appropriately dealt with by the Governance Committee or the Audit and Finance Committee, as applicable, and their respective chairs, or the whole Board.
- (h) The Chair will conduct the regularly scheduled *in camera* sessions of the Board and, as appropriate, report the results of such sessions to its CEO.