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May 1, 2008

Headnote

National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* - Securities Act s. 48 Adviser Obligations - Exemption from obligations in Part 5 of the Act and Rules for registered Advisers - A registered portfolio manager needs temporary relief to buy and sell securities of related issuers from managed accounts without first obtaining client consent - The purchase or sale is consistent with or necessary to meet the investment objectives of the account client and represents the business judgment of the registrant uninfluenced by considerations other than the best interests of the account client; the portfolio manager has sent notice of the transaction to all clients; the portfolio manager will diligently continue to seek consent from the clients; the relief is temporary

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 48

Securities Rules, B.C. Reg. 194/97, section 82

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Ontario, Quebec, Nova Scotia, and
Newfoundland and Labrador
(Jurisdictions)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Phillips, Hager & North Investment Management Ltd.
(the Filer)

Decision

Background

- ¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer on behalf of the Filer

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and its affiliates, Phillips, Hager & North Investment Management Limited Partnership (PH&N LP) and BonaVista Asset Management Ltd. (BonaVista and collectively, with the Filer and PH&N LP, the Portfolio Managers) for a decision under the securities legislation of the Jurisdictions (the Legislation) for relief (the Exemptive Relief Sought) from the prohibition in the Legislation of the Jurisdictions that prohibits a registrant from purchasing or selling, for any client portfolios over which the registrant has discretionary authority or acts as portfolio manager (depending on the Jurisdiction), securities issued by the registrant or a related or connected issuer of the registrant unless the registrant discloses to the client all relevant facts in respect of the purchase and sale and obtains the client's specific and informed consent prior to such purchase or sale (the Discretionary Authority Consent Requirement), to permit the Portfolio Managers to purchase and sell securities of Royal Bank of Canada (RBC) and its related issuers and connected issuers for client portfolios over which the Portfolio Managers have discretionary authority for a temporary period following the closing of a proposed transaction in which RBC and its related issuers and connected issuers will become related issuers or connected issuers, as applicable, of the Portfolio Managers.

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

- (a) the British Columbia Securities Commission is the principal regulator for this application, and
- (b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions* and in National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81-107) have the same meaning if used in this decision, unless otherwise defined.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:
1. the Filer is a company organized under the laws of British Columbia having its head office located in Vancouver, British Columbia;
 2. each of the Portfolio Managers is registered under the Legislation of British Columbia as an adviser in the categories of investment counsel and portfolio manager, and in equivalent categories under the Legislation of the other Jurisdictions; in addition, the Filer is registered under the Legislation in

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Ontario as a dealer in the category of mutual fund dealer, and BonaVista is registered under the Legislation in Ontario as a dealer in the category of limited market dealer;

3. each of the Portfolio Managers is not in default of securities legislation in any jurisdiction;
4. each of the Portfolio Managers provide discretionary portfolio management services through proprietary mutual funds managed by the Filer or one of the other Portfolio Managers and/or through segregated portfolios of securities (Segregated Accounts) for certain clients (Segregated Account Clients); all Segregated Account Clients enter into a discretionary investment management agreement with the applicable Portfolio Manager;
5. as at April 18, 2008, the Portfolio Managers had discretionary authority over approximately 476 Segregated Accounts; of these Segregated Accounts, approximately 172 are related to different institutions, such as multi-employer and/or union sponsored pension plans, trusts, endowments or foundations;
6. on February 21, 2008, RBC entered into an agreement with the Filer and the shareholders of the Filer pursuant to which RBC agreed to purchase, through a wholly-owned subsidiary, all of the issued and outstanding shares of the Filer (the Transaction); the Filer currently anticipates closing the Transaction on or about May 1, 2008 (the Closing Date), subject to receipt of regulatory approvals and other customary closing conditions; upon closing of the Transaction, RBC and its related issuers and connected issuers will become related issuers or connected issuers, as applicable, of the Portfolio Managers, as a result of RBC becoming an influential securityholder of the Portfolio Managers;
7. following the closing of the Transaction, the Portfolio Managers will continue to operate their respective businesses in a manner that is substantially similar to their present manner, as will RBC and its related parties; in particular, the Portfolio Managers intend to continue to manage the assets of all clients, including those in the Segregated Accounts, in the same manner as they are currently managed;
8. securities issued by RBC and certain of its related issuers and connected issuers are currently held in many of the Segregated Accounts, and it is expected that securities issued by RBC and certain of its related issuers and connected issuers will also be held in such accounts on the Closing Date; following the closing of the Transaction, the Portfolio Managers may conclude that it is in the best interests of the Segregated Account Clients to purchase or

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sell securities issued by RBC and its related issuers and connected issuers that are currently held in Segregated Accounts, or to purchase additional securities issued by RBC and its related issuers and connected issuers for the Segregated Accounts;

9. the Portfolio Managers have, in the past, purchased debt securities for Segregated Accounts from, or sold debt securities for Segregated Accounts to, related parties of RBC who are principal dealers in debt securities, and the Portfolio Managers may conclude that it is in the best interests of the Segregated Account Clients to do so in the future with respect to Canadian debt securities of issuers other than the federal or a provincial government (Non-Government Debt Securities) and debt securities issued or fully and unconditionally guaranteed by the federal or a provincial government (Government Debt Securities);
10. each of the Portfolio Managers has provided each Segregated Account Client with a notice describing the Transaction and the issuers that will become related issuers or connected issuers of the Portfolio Manager upon the closing of the Transaction, together with a request that each Segregated Account Client provide its written consent to the Portfolio Manager (a) purchasing and selling securities issued by RBC and its related issuers and connected issuers for the client, and (b) purchasing or selling securities from or to related parties of RBC;
11. as at April 18, 2008, the Portfolio Managers had obtained written consents from 332 of 476 Segregated Account Clients, representing approximately 69.7% of the total Segregated Account Clients;
12. the Portfolio Managers will diligently seek consents from each remaining Segregated Account Client prior to the Closing Date; however, given the relatively short time period between the announcement of the Transaction and the expected Closing Date, the significant number of Segregated Account Clients and the time required for certain institutional Segregated Account Clients to provide this type of authorization, the Filer has applied for the Requested Relief in the likely instance that some consents are not duly executed and returned to the applicable Portfolio Manager prior to the Closing Date;
13. in the absence of the Requested Relief, effective as of the Closing Date the Portfolio Managers would be prohibited (a) from purchasing or selling securities issued by RBC and its related issuers and connected issuers to or from a Segregated Account where the prior informed written consent of the applicable Segregated Account Client has not been obtained, and (b) from

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purchasing or selling Non-Government Debt Securities and Government Debt Securities for a Segregated Account from or to related parties of RBC who are principal dealers in debt securities; and

14. any purchase or sale of securities issued by RBC and its related issuers and connected issuers to or from a Segregated Account, and purchase or sale of Non-Government Debt Securities and Government Debt Securities for a Segregated Account from or to related parties of RBC who are principal dealers in debt securities will be consistent with, or necessary to meet, the investment objectives of the applicable Segregated Account Client, and will represent the business judgment of the Portfolio Manager uninfluenced by considerations other than the best interests of the applicable Segregated Account Client or in fact be in the best interests of the applicable Segregated Account Client.

Decision

- ¶ 4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemptive Relief sought from the Discretionary Authority Consent Requirement is granted in respect of each Segregated Account, provided that:

1. at the time of the transaction, the purchase or sale is consistent with, or necessary to meet the investment objectives of the applicable Segregated Account and represents the business judgment of the Portfolio Manager uninfluenced by considerations other than the best interests of the applicable Segregated Account Client or in fact is in the best interests of the applicable Segregated Account Client;
2. at the time of a purchase or sale for a Segregated Account, the Portfolio Manager has not received notice from the applicable Segregated Account client that it refuses to give its consent to (a) purchasing and selling securities issued by RBC and its related issuers and connected issuers for the client, and (b) purchasing or selling securities from or to related parties of RBC;
3. the Portfolio Manager continues to diligently seek consent from each Segregated Account Client; and

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4. this relief expires six months from the date of this decision.

Brent W. Aitken
Vice Chair
British Columbia Securities Commission