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Headnote

A registered portfolio manager needs temporary relief to buy and sell securities from or to accounts of a responsible person, an associate of a responsible person or the portfolio manager 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; trades of debt securities will be subject to independent pricing requirements; the relief is temporary

Exemption Order

Phillips, Hager & North Investment Management Ltd.

Section 48 of the *Securities Act*, R.S.B.C. 1996, c. 418

Background

- ¶ 1 Phillips, Hager & North Investment Management Ltd (the Filer) applied on behalf of itself 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 an exemption from the prohibition in section 82(1)(b) of the Rules (the Related Account Prohibition) to permit the Portfolio Managers to purchase and sell certain debt securities from and to accounts of related parties of Royal Bank of Canada (RBC) that are principal dealers in debt securities for client portfolios over which the Portfolio Managers have discretionary authority.

Representations

- ¶ 2 The Filer represents that:
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;
 3. each of the Portfolio Managers is not in default of the 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

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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. 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);
9. 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

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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;

10. 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;
11. 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 an exemption from the Related Account Prohibition in the likely instance that some consents are not duly executed and returned to the applicable Portfolio Manager prior to the Closing Date;
12. in the absence of this relief, effective as of the Closing Date the Portfolio Managers would be prohibited from 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
13. any 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.

Order

¶ 3 Considering that it is not prejudicial to the public interest, the Commission orders under section 48 of the Act that the Portfolio Managers are exempt from the Related Account Prohibition, 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

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Segregated Account Client or in fact is in the best interests of the applicable Segregated Account Client;

2. the bid and ask price of the Non-Government Debt Security or Government Debt Security is readily available, as provided in Commentary 7 to section 6.1 of NI 81-107;
3. a purchase is not executed at a price which is higher than the available ask price and a sale is not executed at a price which is lower than the available bid price;
4. the purchase or sale is subject to market integrity requirements as defined in NI 81-107;
5. 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 purchasing or selling securities from or to related parties of RBC;
6. the Portfolio Manager continues to diligently seek consent from each Segregated Account Client; and
7. this relief expires six months from the date of this decision.

¶ 4 April 30, 2008

Brent W. Aitken
Vice Chair
British Columbia Securities Commission