

2002 BCSECCOM 853

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from requirement for dealer to send a statement of account to each client at the end of the month in which the dealer records a transaction in the client’s account and every three months if the dealer has not recorded any transaction – dealer permitted to send statements of account to plan members of certain types of capital accumulation plans and stock option plans on an annual basis, subject to certain conditions

Applicable British Columbia Provisions

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

Securities Rules, B.C. Reg. 194/97, s. 38(1)

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, QUEBEC, NOVA SCOTIA AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF CANADA LIFE SECURITIES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Makers”) in each of the Provinces of British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the “Jurisdictions”) has received an application (the “Application”) from Canada Life Securities Inc. (“CLSI”) for a decision pursuant to the securities legislation (the “Legislation”) of each of the Jurisdictions that the provisions (the “Statement of Account Requirements”) contained in the Legislation that require a registered dealer to:

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- (i) send or forward a statement of account to each client of the dealer at the end of the month in which a transaction has been effected in the account; and
- (ii) send or forward a statement of account to each client of the dealer not less than once every three months, where a transaction has not been effected in that period but there are funds or securities held by the dealer on a continuing basis

shall not apply to CLSI in respect of certain types of capital accumulation plans (“CAPs”) and stock option plans established by employers or other sponsors (“plan sponsors”) for the benefit of their employees or other beneficiaries (“plan members”);

AND WHEREAS pursuant to the Mutual Reliance Review System (“MRRS”) for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this Application;

AND WHEREAS CLSI has represented to the Decision Makers that:

1. CLSI provides administrative, recordkeeping and other services for plans (a “Specified Plan”) that are: (i) CAPs in respect of which all investment decisions are made by the plan sponsor and not the plan member; or (ii) stock option plans pursuant to which plan members are granted options to purchase securities of their employer or an affiliate of their employer (“Stock Option Plans”);
2. CLSI has recently become registered under the Legislation of each of the Jurisdictions as a dealer in the category of an investment dealer and as such has become subject to the Statement of Account Requirements in respect of its activities for Specified Plans;
3. Many of the functions undertaken by CLSI in connection with CAPs are not functions for which registration is required, including various administrative functions such as the sending of account statements;
4. CLSI’s understanding in dealing with plan sponsors of the Specified Plans is that there is no need for the sending of account statements to plan members more frequently than annually, in light of the lack of investment decisions required to be made by plan members and the nature of Stock Option Plans;
5. The extra costs associated with CLSI complying with the Statement of Account Requirements for Specified Plans would be significant and not

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warranted; the costs associated with the reporting obligations are generally reflected in the fees charged to the Specified Plans and are therefore ultimately borne by the plan members;

6. CLSI believes that it is the only registered dealer currently providing significant administrative services to CAPs and that therefore administrators of other CAPs would not be subject to the Statement of Account Requirements. CLSI believes that it would be unfair to the Specified Plans and their plan members to impose on them the extra costs associated with compliance with the Statement of Account Requirements; and
7. For some Specified Plans, there are minimum statutory requirements setting out the frequency of reporting to plan members, and reporting in accordance with the Statement of Account Requirements would be in excess of what the relevant statute governing the Specified Plan prescribes.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the “Decision”);

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Statement of Account Requirements shall not apply to CLSI in respect of a Specified Plan, provided that:

1. CLSI sends to all plan members of the Specified Plan account statements on at least an annual basis that contains the same information that would have been required to be provided pursuant to the Statement of Account Requirements;
2. For each Specified Plan that is a Stock Option Plan in respect of which some plan members have not been previously advised in writing of the frequency with which they would receive such reporting, such plan members shall be notified of this Decision and be provided with information concerning the reporting that they will receive in respect of such plans; such notification and information to be provided at the earlier of the next annual mailing to plan members or one year from the date of this Decision;
3. For each Jurisdiction, this Decision, to the extent that it relates specifically to CAPs, shall terminate one year after the coming into force, subsequent to the date of this Decision, of a rule or other regulation under the Legislation of the

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Jurisdiction that relates, in whole or in part, to the obligations of a registered dealer to send account statements to clients in connection with CAPs; and

4. For each Jurisdiction, this Decision, to the extent that it relates specifically to Stock Option Plans, shall terminate one year after the coming into force, subsequent to the date of this Decision, of a rule or other regulation under the Legislation of the Jurisdiction that relates, in whole or in part, to the obligations of a registered dealer to send account statements to clients in connection with Stock Option Plans.

September 20, 2002

Howard I. Wetston

Harold P. Hands