

2002 BCSECCOM 845

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from certain of the self-dealing prohibitions and reporting requirements and in respect of entering into forward contracts with a related counterparty in connection with an RSP fund in securities of other mutual funds that are under common management for specified purposes, subject to certain conditions

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 121(2)(a), 121(2)(b), 123, 126(a), 127(1)(a) and 130

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

AND

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

AND

IN THE MATTER OF INVESTORS GROUP TRUST CO. LTD (“IGTC”) AS TRUSTEE OF INVESTORS U.S. LARGE CAP VALUE RSP FUND INVESTORS EUROPEAN GROWTH RSP FUND INVESTORS GLOBAL RSP FUND INVESTORS JAPANESE GROWTH RSP FUND INVESTORS GLOBAL SCIENCE & TECHNOLOGY RSP FUND IG AGF U.S. GROWTH RSP FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (the “Jurisdictions”) has received an application (the “Application”) from IGTC in its own capacity and on behalf of Investors U.S. Large Cap Value RSP Fund, Investors European Growth RSP Fund, Investors Global RSP Fund, Investors Japanese Growth RSP Fund, Investors Global Science & Technology RSP Fund and IG AGF U.S. Growth RSP Fund (collectively, the “Global Series RSP Funds”) and other mutual funds managed by IGTC or its affiliates) after the date of this Decision (defined herein) having an investment objective or strategy that is linked to the returns or portfolio

2002 BCSECCOM 845

of another specified mutual fund while remaining 100% eligible for registered plans (together with the Global Series RSP Funds, the “Funds”) for a decision pursuant to the securities legislation of the jurisdictions (the “Legislation”) that the following prohibitions or requirements under the Legislation (the “Applicable Requirements”) shall not apply to the Funds or IGTC, as the case may be, in respect of certain investments made by the Funds in forward contracts with MRS Trust Company (“MRS Trust” or the “Related Counterparty”):

1. the provision contained in the Legislation prohibiting a mutual fund from knowingly making and holding an investment in an issuer in which any officer or director of the mutual fund, its management company or distribution company or an associate of any of them has a significant interest;
2. the provision contained in the Legislation prohibiting a mutual fund from knowingly making and holding an investment in an issuer in which any person or company who is a substantial security holder of the mutual fund, its management company or distribution company has a significant interest;
3. the provision contained in the Legislation prohibiting a mutual fund from knowingly making and holding an investment in any person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder.
4. The requirements contained in the Legislation requiring the management company or a mutual fund manager to file a report relating to a purchase or sale of securities between the mutual fund and any related person or company; and
5. The provision contained in the Legislation prohibiting a portfolio manager from knowingly causing any investment portfolio managed by it to invest in any issuer in which a “responsible person” (as that term is defined in the Legislation) or an associate of a responsible person is an officer or director.

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

AND WHEREAS it has been represented by IGTC to the Decision Makers that:

1. The Funds are or will be open-end mutual funds established under the laws of the Province of Manitoba. IGTC is a corporation established under the laws of the Province of Manitoba. IGTC (or an affiliate) is or will be the manager of the Funds. A significant number, if not a majority, of the unitholders of the Global Series RSP Funds reside in Ontario.

2002 BCSECCOM 845

2. MRS Trust is a trust and loan corporation with its registered office located in Ontario, and is a subsidiary of Mackenzie Financial Corporation and has applied to become a federally registered trust company. Both Mackenzie Financial Corporation and IGTC are, directly or indirectly, wholly owned subsidiaries of Investors Group Inc.
3. The Funds are or will be reporting issuers. The units of the Funds are or will be qualified under a simplified prospectus and annual information form (collectively, the “Prospectus”) or the equivalent under the Legislation, which Prospectus will contain disclosure with respect to the investment objective, investment practices and restrictions of the Funds. The Funds are not in default of the requirements of the Legislation.
4. Each Fund seeks to achieve its investment objective while ensuring that its units do not constitute “foreign property” under the *Income Tax Act* (Canada) (the “Tax Act”) for registered retirement savings plans, registered retirement income plans, and deferred profit sharing plans (“Registered Plans”).
5. To achieve its investment objective, each Global Series RSP Fund invests its assets in securities of a specified underlying fund (the corresponding “Linked Fund”) such that its units will, in the opinion of tax counsel to the Fund, be “qualified investments” for Registered Plans and do not constitute foreign property in a Registered Plan. This is primarily achieved by the Global Series RSP Funds entering into derivative contracts with one or more financial institutions (“Forward Contracts”), which may include the Related Counterparty, that link their returns to those of their corresponding Linked Funds. It is anticipated that any future “RSP Clone Funds” promoted by IGTC (or an affiliate) will likewise follow a similar strategy.
6. Each Fund may invest a portion of its assets in securities of its corresponding Linked Funds. This investment by any Fund will at all times be below the maximum foreign property limit prescribed under the Tax Act for Registered Plans.
7. Each of the Global Series RSP Funds has previously obtained exemptive relief from the Jurisdictions in connection with its activities as an “RSP Clone Fund”.
8. The Global Series RSP Funds originally entered into Forward Contracts with certain financial institutions. However, MRS Trust, which is a subsidiary of Mackenzie Financial Corporation and a related party of IGTC, may in the future be prepared to enter into Forward Contracts with some or all of the Funds.

2002 BCSECCOM 845

9. Except for the transaction costs payable to MRS Trust in relation to any Forward Contracts, none of the Funds, the corresponding Linked Funds, IGTC or any affiliate or associate of any of the foregoing will pay any fees or charges of any kind to MRS Trust in respect of the Forward Contracts.

10. The Investment Conduct and Review Committee of IGTC (the “Independent Committee”) a majority of whom are themselves not officers or employees of IGTC, MRS Trust, or any affiliate of either of them, will review all proposed Forward Contracts between the Funds and the Related Counterparty to ensure that the Funds will receive terms and pricing that are at least as favourable as those agreed to by the Funds with arm’s length counterparties from time to time, or as those available to the Funds from arm’s length counterparties from time to time.

11. The Prospectus and any renewal thereof will disclose the involvement of the Related Counterparty in the Forward Contracts, the review of the Forward Contracts by the Independent Committee as well as all applicable charges in connection therewith.

12. So long as the debt of the Related Counterparty does not have the approved credit rating prescribed in National Instrument 81-102 (“NI 81-102”), the obligations of the Related Counterparty will be unconditionally guaranteed by an affiliate which does have an approved credit rating.

13. In order to hedge its obligations under the Forward Contracts, the Related Counterparty will likely, but is not required to, purchase units of the applicable corresponding Linked Funds.

14. Except to the extent evidenced by this Decision and specific approvals granted or to be granted by the Canadian securities administrators under NI 81-102, the investments by each Fund in a Forward Contract have been structured to comply with the investment restrictions of the Legislation and NI 81-102.

15. The investments by the Funds in the Forward Contracts represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of the Funds.

16. In the absence of this Decision, pursuant to the Legislation, the Funds are prohibited from making and holding an investment in the Forward Contracts issued by a Related Counterparty.

17. In the absence of this Decision, pursuant to the Legislation, IGTC is: (a) prohibited from knowingly causing any investment portfolio managed by it to invest in any issuer in which a “responsible person” is an officer or director; and

2002 BCSECCOM 845

(b) required to file a report upon every investment by the Funds in a Forward Contract with the Related Counterparty.

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 are 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 under the Legislation is that the Applicable Requirements do not apply so as to prevent a Fund from entering into Forward Contracts with a Related Counterparty.

PROVIDED IN EACH CASE THAT:

- (a) the pricing terms offered by the Related Counterparty to the Funds under the Forward Contracts are at least as favourable as the terms agreed to by the Funds with arm’s length counterparties from time to time, or as the terms otherwise available to the Funds from the arm’s length counterparties from time to time;
- (b) prior to the Funds entering into a Forward Contract with the Related Counterparty, the Independent Committee will review the pricing terms offered by the Related Counterparty to the Funds against the pricing terms agreed to by the Funds with arm’s length counterparties or the pricing terms otherwise available to the Funds from arm’s length counterparties to ensure that the pricing is at least as favourable;
- (c) the review by the Independent Committee will be undertaken not less frequently than on an annual basis, and in addition on any renewal or pricing amendment to each Forward Contract with the Related Counterparty during the term of such contract;
- (d) The Funds’ Prospectus, and any renewal thereof discloses the review of the Forward Contracts by the Independent Committee, as well as the involvement of the Related Counterparty; and

2002 BCSECCOM 845

- (e) The Funds will enter into Forward Contracts with any Related Counterparty only once confirmation of favourable pricing is received from the Independent Committee.

DATED August 2, 2002.

Howard I. Wetston

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