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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted from certain of the mutual fund self-dealing prohibitions to permit certain mutual funds to make purchases and sales of common shares of the Royal Bank of Canada, parent company of the manager and advisor of the mutual funds provided that a fund governance mechanism is used

Applicable British Columbia Provisions

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

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

AND

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

AND

**IN THE MATTER OF RBC FUNDS INC. (“RBC FI”)
RBC GLOBAL INVESTMENT MANAGEMENT INC. (“RBC GIM”)
ROYAL CANADIAN T-BILL FUND
ROYAL CANADIAN MONEY MARKET FUND
ROYAL PREMIUM MONEY MARKET FUND
ROYAL \$U.S. MONEY MARKET FUND
ROYAL CANADIAN SHORT-TERM INCOME FUND
ROYAL BOND FUND
ROYAL MONTHLY INCOME FUND
ROYAL GLOBAL BOND FUND
ROYAL BALANCED FUND
ROYAL TAX MANAGED RETURN FUND
ROYAL BALANCED GROWTH FUND
ROYAL GLOBAL BALANCED FUND
ROYAL SELECT CONSERVATIVE PORTFOLIO
ROYAL SELECT BALANCED PORTFOLIO
ROYAL SELECT GROWTH PORTFOLIO
ROYAL SELECT CHOICES CONSERVATIVE PORTFOLIO
ROYAL SELECT CHOICES BALANCED PORTFOLIO
ROYAL SELECT CHOICES GROWTH PORTFOLIO
ROYAL SELECT CHOICES AGGRESSIVE GROWTH PORTFOLIO
ROYAL DIVIDEND FUND**

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**ROYAL CANADIAN VALUE FUND
ROYAL CANADIAN EQUITY FUND
ROYAL CANADIAN GROWTH FUND
ROYAL ENERGY FUND
ROYAL PRECIOUS METALS FUND
ROYAL U.S. EQUITY FUND
ROYAL U.S. MID-CAP EQUITY FUND
ROYAL LIFE SCIENCE AND TECHNOLOGY FUND
ROYAL INTERNATIONAL EQUITY FUND
ROYAL EUROPEAN EQUITY FUND
ROYAL ASIAN EQUITY FUND
ROYAL GLOBAL EDUCATION FUND
ROYAL GLOBAL TITANS FUND
ROYAL GLOBAL COMMUNICATIONS AND MEDIA SECTOR FUND
ROYAL GLOBAL CONSUMER TRENDS SECTOR FUND
ROYAL GLOBAL FINANCIAL SERVICES SECTOR FUND
ROYAL GLOBAL HEALTH SCIENCES SECTOR FUND
ROYAL GLOBAL INDUSTRIALS SECTOR FUND
ROYAL GLOBAL RESOURCES SECTOR FUND
ROYAL GLOBAL TECHNOLOGY SECTOR FUND
(collectively, “Royal Mutual Funds”)
RBC ADVISOR GLOBAL TITANS CLASS
RBC ADVISOR GLOBAL COMMUNICATIONS AND MEDIA CLASS
RBC ADVISOR GLOBAL CONSUMER TRENDS CLASS
RBC ADVISOR GLOBAL FINANCIAL SERVICES CLASS
RBC ADVISOR GLOBAL HEALTH SCIENCES CLASS
RBC ADVISOR GLOBAL INFRASTRUCTURE CLASS
RBC ADVISOR GLOBAL RESOURCES CLASS
RBC ADVISOR GLOBAL TECHNOLOGY CLASS
RBC ADVISOR U.S. EQUITY CLASS
RBC ADVISOR GLOBAL SMALL CAP EQUITY CLASS
RBC ADVISOR EMERGING MARKETS EQUITY CLASS
RBC ADVISOR GLOBAL BALANCED CLASS
RBC ADVISOR SHORT -TERM INCOME CLASS
RBC ADVISOR CANADIAN BOND FUND
RBC ADVISOR GLOBAL HIGH YIELD FUND
RBC ADVISOR BLUE CHIP CANADIAN EQUITY FUND
(collectively, “RBC Advisor Funds”)**

MRRS DECISION DOCUMENT

WHEREAS RBC FI and RBC GIM have made an application for a decision (the “Decision”) of the local securities regulatory authority or regulator (the “Decision

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Maker”) in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (the “Jurisdictions”) pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the following provisions of the Legislation do not apply so as to prevent the Royal Mutual Funds, the RBC Advisor Funds or other mutual funds of which RBC FI or RBC GIM is or may be the manager (individually, a “Fund”, and, collectively, the “Funds”) from investing in, or continuing to hold an investment in, common shares of the Royal Bank of Canada (“Royal Bank”):

- a. the provision prohibiting a mutual fund from knowingly making or holding an investment in any person or company which is a substantial security holder of the mutual fund, its management company or distribution company; and
- b. the provision prohibiting the portfolio manager of an investment portfolio from causing the investment portfolio or in British Columbia prohibiting a mutual fund or a responsible person from causing a mutual fund to invest in an issuer in which a responsible person is a director or an officer unless the specific fact is disclosed to the client and the written consent of the client to the investment is obtained before the purchase (the provisions of (a) and (b) being, collectively, the “Investment Restrictions”);

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, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS it has been represented by RBC FI and RBC GIM to the Decision Makers that:

1. Each of the Funds is or will be a mutual fund within the meaning of the Legislation that is a reporting issuer subject to National Instrument 81-102 and that is not in default under the Legislation.
2. RBC GIM is or will be the adviser of the Funds and the portfolio manager of the Funds for purposes of the Legislation.
3. Securities of the Funds are or will be offered in all provinces and territories in Canada.

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4. RBC GIM is a wholly-owned subsidiary of Royal Bank and as a result Royal Bank is a substantial security holder of RBC GIM.
5. Certain directors and/or officers of RBC GIM who are responsible persons in respect of the Funds are or may be also officers of Royal Bank.
6. RBC GIM is prohibited by the Investment Restrictions from causing the investment portfolios of the Funds to invest in common shares of Royal Bank because:
 - (i) Royal Bank is a substantial security holder of the management company of the Funds; and
 - (ii) certain directors and/or officers of RBC GIM are or maybe also officers of Royal Bank.
7. For purposes of the requirement of section 11.3(b) of Part B of Form 81-101 FI – Contents of Simplified Prospectus – under National Instrument 81-101, the broad based securities market index which is relevant to comparing the performance of many of the Funds is the S&P/TSX Composite Capped Total Return Index (the “S&P/TSX Capped Index”). In addition investors and/or their advisors may compare the performance of a Fund to one or more of the S&P/TSX Composite Total Return Index (the “S&P/TSX Index”), the S&P/TSX 60 Index (the “S&P/TSX 60 Index”), and the S&P/TSX Financial Services Index (the “S&P/TSX Financial Services Index”).
8. The common shares of Royal Bank are represented in each of the indices referred to in paragraph 7 above in approximately the following percentages as at July 31, 2002:

S&P/TSX Index	5.78%
S&P/TSX Capped Index	5.78%
S&P/TSX 60 Index	7.34%
S&P/TSX Financial Services Index	19.45%
9. The S&P/TSX Financial Services Index is the largest industry sector sub-index of the S&P/TSX Index, representing approximately 30% of the index. Bank securities represent approximately 60% of the S&P/TSX Financial Services Index and approximately 20% of the S&P/TSX Index and the S&P/TSX Capped Index.
10. As demonstrated by the information set out in paragraphs 7, 8 and 9 above, in the context of the Canadian capital markets the ability to invest in common

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shares of Royal Bank is extremely important to the Funds. Royal Bank is the largest issuer by market capitalization in any of the indices referred to above and it has a significant impact on the returns of each of such indices. It is not prudent for a portfolio manager to arbitrarily exclude securities of such an issuer from the universe of securities available for investment.

11. RBC GIM considers that it would be in the best interests of investors in the Funds if RBC GIM were permitted to invest the portfolios of the Funds in common shares of Royal Bank where such investment is consistent with the investment objectives of the Funds.
12. RBC FI and RBC GIM have agreed to appoint an independent committee (the "Independent Committee") to review the Funds' purchases, sales and continued holdings of common shares of Royal Bank to ensure that they have been made free from any influence by Royal Bank and without taking into account any consideration relevant to Royal Bank or any associate or affiliate of Royal Bank.
13. It is anticipated that the Independent Committee will be formed from the Board of Governors of the Funds that meets no less frequently than quarterly.
14. In reviewing the Funds' purchases, sales and continued holdings of common shares of Royal Bank, the Independent Committee will take into account the best interests of the unitholders of the Funds and no other factors.
15. Compensation to be paid to members of the Independent Committee will be paid on a per meeting plus expenses basis and will be allocated among the Funds in a manner that is considered by the Independent Committee to be fair and reasonable to the Funds.

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:

1. RBC GIM and the Funds are exempt from the Investment Restrictions so as to enable the Funds to invest, or continue to hold an investment in, common shares of Royal Bank; and

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2. the Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with mutual fund governance in a manner that conflicts with or makes inapplicable any provision of this Decision;

provided that:

- a. RBC FI or RBC GIM has appointed the Independent Committee to review the Funds' purchases, sales and continued holdings of common shares of Royal Bank;
- b. the Independent Committee has at least three members and no member of the Independent Committee shall be an associate of
 - (i) Royal Bank,
 - (ii) RBC FI,
 - (iii) RBC GIM or any other portfolio manager of the Funds, or
 - (iv) any associate or affiliate of Royal Bank, RBC FI, RBC GIM or any other portfolio manager of the Funds;
- c. the Independent Committee has a written mandate describing its duties and standard of care which, at a minimum, sets out these conditions;
- d. the members of the Independent Committee exercise their powers and discharge their duties honestly, in good faith and in the best interests of investors in the Funds and, in doing so, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;
- e. none of the Funds relieves the members of the Independent Committee from liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph (d);
- f. none of the Funds indemnifies the members of the Independent Committee against legal fees, judgments and amounts paid in settlement as a result of a breach of the standard of care set out in paragraph (d);
- g. none of the Funds incurs the cost of any portion of liability insurance that insures a member of the Independent Committee for a liability for loss

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that arises out of a failure to satisfy the standard of care set out in paragraph (d);

- h. the cost of any indemnification or insurance coverage paid for by RBC FI, RBC GIM, any portfolio manager of the Funds, or any associate or affiliate of RBC FI, RBC GIM or portfolio managers of the Funds to indemnify or insure the members of the Independent Committee in respect of a loss that arises out of a failure to satisfy the standard of care set out in paragraph (d) is not paid either directly or indirectly by the Funds;
- i. the Independent Committee reviews the Funds' purchases, sales and continued holdings of common shares of Royal Bank regularly, but not less frequently than quarterly or such shorter period as the Independent Committee may require;
- j. the Independent Committee forms the opinion after reasonable inquiry that the decisions made on behalf of each Fund by RBC GIM or the Fund's portfolio manager to purchase, sell or continue to hold common shares of Royal Bank were, and continue to be, in the best interests of the Fund and to:
 - (i) represent the business judgment of RBC GIM or the Fund's portfolio manager, uninfluenced by considerations other than the best interests of the Fund;
 - (ii) have been made free from any influence by Royal Bank and without taking into account any consideration relevant to Royal Bank or any associate or affiliate of Royal Bank; and
 - (iii) not exceed the limitations of the applicable legislation.
- k. the determination made by the Independent Committee pursuant to paragraph (j) above is included in detailed written minutes provided to RBC FI or RBC GIM not less frequently than quarterly;
- l. the reports required to be filed pursuant to applicable legislation with respect to every purchase and sale of common shares of Royal Bank are filed on SEDAR in respect of the relevant Fund;
- m. the Independent Committee advises the Decision Makers in writing of

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- (i) any determination by it that condition (j) has not been satisfied with respect to any purchase, sale or holding of common shares of Royal Bank,
 - (ii) any determination by it that any other condition of this Decision has not been satisfied,
 - (iii) any action it has taken or proposes to take following the determinations referred to above, and
 - (iv) any action taken, or proposed to be taken, by Royal Bank, RBC FI, RBC GIM or a portfolio manager of the Funds in response to the determinations referred to above;
- n. the existence, purpose, duties and obligations of the Independent Committee, the names of its members, whether and how they are compensated by the Funds, and the fact that they meet the requirements of condition (b) are disclosed
 - (i) in a press release issued, and a material change report filed, prior to reliance on the Decision;
 - (ii) in item 12 of Part A of the simplified prospectus of the Funds; and
 - (iii) on RBC FI's or RBC GIM's internet website.

DATED October 29, 2002.

Howard I. Wetston

Harold P. Hands