

2008 BCSECCOM 508

August 19, 2008

Headnote

Mutual Reliance Review System for Exemption Relief Application – *Securities Act* s. 48 Adviser - Exemption from s.34(1)(c) requirement to be registered as an adviser - A person who resides outside BC wants to advise BC residents. - The person is hired under a written agreement with a BC registered dealer or adviser to provide advice to the BC registrant and its BC clients; the person is registered or qualified to provide the advice in the jurisdiction in which they reside; under a written agreement with its BC clients or the person, the BC registrant accepts responsibility for all losses resulting from inappropriate advice provided by the person; the BC client will obtain advice from and give all instructions through the BC registrant.

Applicable British Columbia Provisions

Securities Act, ss. 34(1)(c) and 48

In the Matter of the Securities Legislation of British Columbia, Alberta and Manitoba (The Jurisdictions)

and

In the Matter of the Mutual Reliance Review System for Exemptive Relief Applications (The System)

and

In the Matter of T. Rowe Price (Canada), Inc. (TRP Canada)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from TRP Canada on behalf of certain affiliates of TRP Canada that are resident outside Canada (Sub Advisers) for an exemption from the requirements in the securities legislation of the Jurisdictions (the Legislation) to be registered as advisers (the Registration Requirement) to provide investment counselling and portfolio management services to certain clients of TRP Canada who reside in the Jurisdictions in which the Sub Advisers are not registered (the Registration Relief).

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Under the System:

- (a) the Manitoba Securities Commission is the principal regulator for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14 101 Definitions have the same meaning in this decision unless they are otherwise defined in this decision.

Representations

This decision is based on the following facts represented by TRP Canada:

1. TRP Canada is a corporation incorporated under the laws of Maryland, U.S.A. with its head office in Baltimore, Maryland.
2. TRP Canada is an indirectly wholly owned subsidiary of T. Rowe Price Group, Inc., a global investment management firm also headquartered in Baltimore.
3. TRP Canada is registered under the Legislation as an adviser (foreign) in the categories of portfolio manager and investment counsel in British Columbia, as an adviser (foreign) in the categories of portfolio manager and investment counsel in Alberta and as a Securities Adviser (International Adviser) in Manitoba. TRP Canada is also registered as an adviser with the Securities and Exchange Commission in the United States.
4. TRP Canada provides investment counselling and portfolio management services to its clients resident in the Jurisdictions and other jurisdictions under conditions of its registration in each jurisdiction.
5. TRP Canada intends to offer the investment counselling and portfolio management services of the Sub Advisers to institutional clients who wish to have exposure to capital markets located in a jurisdiction in which the Sub Advisers have experience and expertise (Clients). Clients will be resident in the Jurisdictions in which TRP Canada is registered under the Legislation as an adviser in the category of portfolio manager or its equivalent.
6. Each Sub Adviser is, or will be, registered or otherwise qualified under applicable laws in the foreign jurisdiction where its head office is located to provide investment counselling and portfolio management services.

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7. The Sub Advisers will not be residents of Canada.
8. All Sub Advisers will be affiliates of TRP Canada; for this purpose, an affiliate means any entity that is controlled by T. Rowe Price Group, Inc. and “control” and any derivation thereof means the possession, directly or indirectly, of the power to direct or significantly influence the management and policies/business or affairs of an entity whether through ownership of voting securities or otherwise.
9. Each Client will enter into an investment management agreement (IMA) with TRP Canada which:
 - (a) provides TRP Canada with complete discretionary authority to purchase and sell securities on behalf of the Client; and
 - (b) authorizes TRP Canada to delegate its discretionary authority over all or a portion of the Client’s assets to one or more of the Sub Advisers;
10. TRP Canada will agree under the IMA to be responsible for any loss arising directly out of the failure of a Sub Adviser:
 - (a) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of TRP Canada and the Client for whose benefit the investment advice is, or portfolio management services are, to be provided; or
 - (b) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances,and acknowledges that it cannot be relieved by Clients from this responsibility (collectively, the Assumed Obligations).
11. TRP Canada will be responsible for providing the Clients all applicable reports and statements required under the Legislation.
12. TRP Canada will enter into a separate agreement with each Sub Adviser which will set out the obligations of each party in connection with the investment counselling and portfolio management services provided to each Client and under which the Sub Adviser will agree to act as a Sub Adviser to TRP Canada for the benefit of Clients; such agreement will permit TRP Canada to exercise the degree of supervision and control it is required to exercise over what the Sub Advisers do for the Clients.

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13. If there is any direct contact between a Client and a Sub Adviser, a representative of TRP Canada, duly registered to provide portfolio management and investment counselling services for securities in the Jurisdiction where the Client is resident, will be present at all times, either in person or by telephone.
14. Each Sub Adviser who provides investment counselling and portfolio management services with respect to the assets of Clients would be considered to be acting as an “adviser” within the meaning of the Legislation, and in the absence of the Registration Relief, would be subject to the Registration Requirement unless otherwise exempt.
15. There are no exemptions from the Registration Requirement that the Sub Advisers may rely on to provide investment counselling and portfolio management services to the Clients.

Decision

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 under the Legislation is that the Registration Relief be granted, provided that:

- (a) the obligations and duties of each of the Sub Advisers are set out in a written agreement with TRP Canada;
- (b) TRP Canada contractually agrees with each Client that TRP Canada will be responsible for the Assumed Obligations;
- (c) TRP Canada cannot be, and at no time is, relieved of the Assumed Obligations by Clients;
- (d) each Sub Adviser not resident in Canada will be licensed, registered or otherwise legally permitted to provide investment advice and portfolio management services under the applicable laws of the foreign jurisdiction in which it is located to provide discretionary portfolio management services;
- (e) TRP Canada is registered under the Legislation as an adviser in the category of portfolio manager or its equivalent in good standing in the Jurisdictions in which Clients are resident;

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- (f) if there is any direct contact between a Client and a Sub Adviser, a representative of TRP Canada, duly registered to provide portfolio management and investment counselling services in the Jurisdiction where the Client is resident, will be present at all times, either in person or by telephone; and
- (g) in Manitoba, the relief from the Registration Requirement is available only to Sub Advisers who are not registered in any Canadian jurisdiction.

“Chris Besko”

Chris Besko – Deputy Director
The Manitoba Securities Commission