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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – investment by RSP “clone” fund in another mutual fund for specified purpose exempted from the reporting requirements and self-dealing restrictions of the Act.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss 120 (1), 121(2)(b), 123, 126(d), and 130

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

AND

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

AND

IN THE MATTER OF NORTHWEST MUTUAL FUNDS INC.

AND

NORTHWEST RSP INTERNATIONAL FUND

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (collectively, the “Jurisdictions”) has received an application (the “Application”) from Northwest Mutual Funds Inc. in its own capacity and on behalf of Northwest RSP International Fund (the “Top Fund”), for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the following restrictions and requirements contained in the Legislation (the “Applicable Requirements”) shall not apply to Northwest or the Top Fund, as the case may be, in respect of certain investments to be made by the Top Fund in Northwest International Fund (the “Underlying

- A. the restrictions prohibiting a mutual fund from knowingly making or holding an investment in a person or company in which the mutual fund, alone or

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together with one or more related mutual funds, is a substantial security holder; and

- B. the requirements for a management company, or in British Columbia, 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, or any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, the mutual fund is a joint participant with one or more of its related persons or companies.

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 Northwest has represented to the Decision Makers that:

1. Northwest is a corporation established under the laws of Ontario and its head office is located in Toronto, Ontario. Northwest is the administrative manager, trustee and promoter of the Top Fund and the Underlying Fund.
2. The Top Fund and the Underlying Fund are open-end mutual fund trusts established under the laws of Ontario. Units of the Top Fund and Underlying Fund are qualified for distribution in all Jurisdictions under a simplified prospectus and annual information form each dated April 6, 2001 (together, the "Prospectus").
3. The Top Fund and the Underlying Fund are reporting issuers in each of the Jurisdictions and are not in default of any requirements of the Legislation.
4. The investment objective of the Top Fund, as set out in the Prospectus, is to provide long-term capital growth that is 100% linked to the returns of the Underlying Fund by using forward contracts or other derivatives based on the units of the Underlying Fund or all or substantially all of the securities forming part of the portfolio of the Underlying Fund. The Fund may also invest directly in units of the Underlying Fund, as well as in money market instruments and/or bank deposits and similar investments.
5. The investment objective of the Underlying Fund is achieved through investment primarily in foreign securities. The Underlying Fund's investment objective does not include investing directly or indirectly in other mutual funds.

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6. To achieve its investment objective, the Top Fund invests its assets such that the units of the Top Fund will be “qualified investments” for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered retirement income funds, and deferred profit sharing plans (collectively, “Registered Plans”) and will not constitute “foreign *Income Tax Act* (Canada). This is primarily achieved through the implementation of a derivative strategy that provides a return linked to the returns of the Underlying Fund. The Top Fund also invests a portion of its assets directly in securities of the Underlying Fund. This investment is at all times below the maximum foreign property limit prescribed for Registered Plans (the “Permitted Limit”).
7. The amount of direct investment by the Top Fund in the Underlying Fund is adjusted from time to time so that, except for the transitional cash (i.e. cash from purchases not yet invested or cash held to satisfy redemptions), the aggregate of the derivative exposure to, and direct investment in, the Underlying Fund equals 100% of the assets of the Top Fund.
8. Except to the extent evidenced by this Decision and specific approvals granted by the Decision Makers pursuant to National Policy No. 39 (the predecessor to National Instrument 81-102 Mutual Funds (“NI 81-102”)), the investments by the Top Fund in the Underlying Fund have been structured to comply with the investment restrictions of the Legislation and NI 81-102.
9. In the absence of this Decision, the Top Fund is prohibited from knowingly making or holding an investment in the Underlying Fund in which the Top Fund alone or together with one or more related mutual funds is a substantial security holder.
10. In the absence of this Decision, Northwest is required to file a report on every purchase or sale of units of the Underlying Fund by the Top Fund.
11. The investments by the Top Fund in units of the Underlying Fund represent the business judgment of “responsible persons” (as defined in the Legislation) uninfluenced by considerations other than the best interests of the Top Fund.

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

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

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THE DECISION of each Decision Maker pursuant to the Legislation is that the Applicable Requirements shall not apply so as to prevent the Top Fund from making or holding an investment in units of the Underlying Fund, or so as to require Northwest to file a report relating to the purchase or sale of such units;

PROVIDED THAT in respect of the investments by the Top Fund in units of the Underlying Fund:

1. 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 the matters in section 2.5 of NI 81-102.
2. the Decision shall only apply if, at the time the Top Fund makes or holds an investment in the Underlying Fund, the following conditions are satisfied:
 - (a) the units of both the Top Fund and the Underlying Fund are being offered for sale in the jurisdiction of the Decision Maker pursuant to a simplified prospectus and annual information form which has been filed with and accepted by the Decision Maker;
 - (b) the investment by the Top Fund in the Underlying Fund is compatible with the fundamental investment objective of the Top Fund;
 - (c) the investment objective of the Top Fund discloses that the Top Fund invests directly and, if applicable, indirectly (through derivative exposure), in the Underlying Fund, the name of the Underlying Fund and that the Top Fund is fully eligible for Registered Plans;
 - (d) the Underlying Fund is not a mutual fund whose investment objective includes investing directly or indirectly in other mutual funds;
 - (e) the Top Fund restricts its direct investment in the Underlying Fund to a percentage of its assets that is within the Permitted Limit;
 - (f) there are compatible dates for the calculation of the net asset value of the Top Fund and the Underlying Fund for the purpose of the issue and redemption of units of such mutual funds;
 - (g) no sales charges are payable by the Top Fund in relation to its purchases of units of the Underlying Fund;

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- (h) no redemption fees or other charges are charged by an Underlying Fund in respect of the redemption by the Top Fund of units of the Underlying Fund owned by the Top Fund;
- (i) no fees or charges of any sort are paid by the Top Fund and the Underlying Fund, by their respective managers or principal distributors, or by any affiliate or associate of any of the foregoing entities, to anyone in respect of the Top Fund's purchase, holding or redemption of the units of the Underlying Fund;
- (j) the arrangements between or in respect of the Top Fund and the Underlying Fund are such as to avoid the duplication of management fees;
- (k) any notice provided to unitholders of the Underlying Fund as required by applicable laws or the constating documents of the Underlying Fund, has been delivered by the Top Fund to its unitholders;
- (l) all of the disclosure and notice material prepared in connection with a meeting of unitholders of the Underlying Fund and received by the Top Fund has been provided to its unitholders, the unitholders have been permitted to direct a representative of the Top Fund to vote its holdings in the Underlying Fund in accordance with their direction, and the representative of the Top Fund has not voted its holdings in the Underlying Fund except to the extent the unitholders of the Top Fund have directed;
- (m) in addition to receiving the annual and, upon request, the semi-annual financial statements of the Top Fund, unitholders of the Top Fund have received the annual and, upon request, the semi-annual financial statements of the Underlying Fund in either a combined report, containing financial statements of the Top Fund and the Underlying Fund, or in a separate report containing the financial statements of the Underlying Fund; and

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- (n) to the extent that the Top Fund and the Underlying Fund do not use a combined simplified prospectus and annual information form containing disclosure about the Top Fund and the Underlying Fund, copies of the simplified prospectus and annual information form of the Underlying Fund have been provided upon request to unitholders of the Top Fund and the right to receive these documents is disclosed in the simplified prospectus of the Top Fund.

DATED April 16, 2002.

Theresa McLeod

H. Lorne Morphy