

2007 BCSECCOM 266

April 27, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 81-107, s. 7.1 - Independent Review Committee for Investment Funds - An investment fund requires relief from NI 81-107 - The fund manager is part of a transaction that will result in a change of control that will occur shortly after the manager must appoint its IRC; the transaction will result in the manager becoming affiliated with other entities that must comply with NI 81-107; the manager cannot fully assess the conflicts of interest it will have until the transaction closes; because of the change of control, any IRC the manager would appoint will automatically terminate under NI 81-107; before it can determine the most advantageous IRC structure for the funds, the manager also needs to fully understand its relationship with the other entities the manager becomes related to or affiliated with after the transaction closes; to complete these assessments so that the IRC is established in the best interests of the unitholders, the manager requires a short extension to fully comply with NI 81-107

Applicable British Columbia Provisions

National Instrument 81-107, ss. 8.2(2) and 7.1

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec,
New Brunswick, Nova Scotia, Newfoundland and Labrador,
Yukon Territory, Northwest Territories and Nunavut Territory
(the “Jurisdictions”)

and

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

and

In the Matter of
Putnam Investments Inc.
(the “Filer” or “Putnam”)

MRRS Decision Document

2007 BCSECCOM 266

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the “Legislation”) and pursuant to subsection 7.1 of National Instrument 81-107 *Independent Review Committee For Investment Funds* (“NI 81-107”) for an extension of the transition implementation deadlines set forth under subsection 8.2(1) and 8.2(2) of NI 81-107 to January 1, 2008 (“IRC Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Ontario 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 defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. Putnam is a corporation incorporated under the *Business Corporations Act* (Ontario) with its head office in Toronto, Ontario.
2. Putnam is manager, trustee and portfolio manager for Putnam Canadian Balanced Fund, Putnam Canadian Bond Fund, Putnam Canadian Equity Fund, Putnam Canadian Equity Growth Fund, Putnam Canadian Money Market Fund, Putnam Global Equity Fund, Putnam U.S. Value Fund, Putnam U.S. Voyager Fund and Putnam International Equity Fund (collectively the “Funds”).
3. Putnam is also registered with the applicable Decision Maker as: (i) an adviser (portfolio manager, investment counsel or its equivalent) in Ontario, British Columbia, Alberta, Saskatchewan and Manitoba; (ii) commodity trading manager in Ontario; and (iii) as a dealer (limited market dealer) in Ontario.
4. The Funds are mutual fund trusts created under the laws of Ontario under the provisions of a master declaration of trust dated March 14, 2002, as amended. The Funds are reporting issuers in the Jurisdictions and distribute securities pursuant to a simplified prospectus and annual information form prepared in

2007 BCSECCOM 266

accordance with National Instrument 81-101 – *Mutual Fund Prospectus Disclosure*. The Funds are also subject to, among other laws and regulations, NI 81-102 and National Instrument 81-106 *Investment Fund Continuous Disclosure*.

5. On February 1, 2007, GWL (a subsidiary company of Power Financial Corporation (“Power Financial”)) announced that it had signed an agreement (the “Proposed Transaction”) to purchase Putnam Investments Trust (“Putnam Investments”). As Putnam is an indirect subsidiary company of Putnam Investments, there will occur a change in control of Putnam upon the closing of the Proposed Transaction when GWL becomes the new owner and parent company of Putnam Investments (the “Putnam Change In Control”).
6. GWL, a TSX-listed company (TSX:GWO) and a member of the Power Financial group of companies, is a financial services holding company with interests in the life insurance, health insurance, retirement savings and reinsurance businesses. GWL and its subsidiaries carry on business primarily in Canada, the United States and Europe and have over C\$197 billion in assets under management.
7. Power Financial is a holding company that holds substantial interests in the financial services industry through its controlling interest in GWL and in IGM Financial Inc. (“IGM”). IGM, in turn, owns Investment Planning Counsel Inc., Investors Group Inc. and Mackenzie Financial Corporation – affiliated companies that collectively have significant experience and market presence in Canada’s mutual fund industry.
8. Pursuant to subsection 8.2(2) of NI 81-107, managers of investment funds that are reporting issuers are required to appoint the first members of an IRC by May 1, 2007.
9. In conjunction with this appointment and deadline, fund managers will also be required to consider a host of other related matters including determining the appropriate size and composition of the IRC, term of office and compensation of its members, content of the IRC’s charter, indemnities, insurance and whether the fund’s trust document and material contracts need to be amended in order to implement the IRC model.
10. The IRC must be fully operational by November 1, 2007 and fund managers and IRCs alike must be in full compliance with NI 81-107 by November 1, 2007.

2007 BCSECCOM 266

11. While Putnam has engaged in on-going internal deliberations regarding NI 81-107 and its implementation issues and deadlines, Putnam has nevertheless expended considerable time and resources over the last 9 months engaged in events and circumstances leading up to the signing of the Proposed Transaction on January 31, 2007.
12. Putnam's deliberations concerning NI 81-107 and the Funds now have a great degree of uncertainty and complexity as a result of the Proposed Transaction. On or about May 31, 2007, Putnam will become a member of the Power Financial group of companies and, therefore, answerable to a new (indirect) parent company. It is not known whether Putnam and the Funds may encounter any of the integration issues typically present in these types of corporate transactions.
13. Furthermore, Putnam will also become an affiliate of certain other mutual fund managers (Mackenzie Financial Corporation ("Mackenzie"), I.G. Investment Management Ltd. ("I.G.") and Counsel Group of Funds ("Counsel")) on the closing of the Proposed Transaction. These other soon-to-be affiliated fund managers are also making their own, and sometimes co-ordinated deliberations regarding the implementation issues posed by NI 81-107. Such deliberations may include, among other things, the feasibility of sharing a common IRC.
14. Many of the requirements of NI 81-107 (eg., a manager's written policies and procedures) will first require, among other things, a comprehensive understanding of what a "conflict of interest matter", "entity related to the manager" and "independent" means in relation to the manager. This analysis has become very complicated for Putnam in light of its new role within the Power Financial group's family of companies.
15. Against this backdrop of uncertainty and complexity, and considering the close proximity of the expected closing date of the Proposed Transaction (May 31, 2007) and implementation deadlines set forth in NI 81-107 (the first of which is May 1, 2007), Putnam believes it would be in the best interest of the Funds' investors to delay the implementation of NI 81-107 in respect of the Funds until such time as Putnam becomes integrated into the Power Financial group of companies and explores possible co-operative IRC "synergies" with Mackenzie, I.G. and Counsel.

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.

2007 BCSECCOM 266

The decision of the Decision Makers under the Legislation is that the IRC Relief is hereby approved provided that

- (a) Putnam and the Funds are fully compliant with NI 81-107 by January 1, 2008; and
- (b) Putnam deliver appropriate notice to all unitholders in the Funds within 10 business days of this decision describing the nature and scope of the IRC Relief and, in particular, that an IRC for the Funds will not become operational until January 1, 2008.

Rhonda Goldberg
Assistant Manager, Investment Funds
Ontario Securities Commission