

2008 BCSECCOM 487

Headnote

Mutual Reliance Review System for Exemptive Relief Application – Securities Act s. 48 Dealer Obligations - Exemption from obligations in Part 5 of the Act and Rules for registered dealers - A BC registered dealer wants an exemption from delivering to clients monthly account statements, quarterly account statements, or both. - Dealer is a scholarship plan dealer; monies deposited under the education savings plan are invested primarily in accordance with National Policy Statement 15 Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses; at the time a planholder makes an initial deposit they are provided with all details pertaining to the plan deposit; planholders receive a statement of account annually thereafter.

Securities Act s. 48 Dealer Obligations - Exemption from obligations in Part 5 of the Act and Rules for registered dealers - A BC registered dealer wants an exemption from delivering confirmation statements to clients. - Dealer is a scholarship plan dealer; planholder makes initial contribution to plan; additional contributions already agreed to at time of enrolling and are made pursuant to terms of pre-authorized schedule; planholder receives trade confirmation statement at time of initial contribution.

Applicable British Columbia Provisions

Securities Act, s. 48

Securities Rules, s. 36, 38

July 2, 2008

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

and

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

and

In the Matter of
C.S.T. Consultants Inc. (The Filer)

MRRS Decision Document

2008 BCSECCOM 487

Background

The local securities regulatory authority or regulator (the **Statement of Account Exemption Decision Makers**) in each of the Jurisdictions has received an application from the Filer, for a decision under the securities legislation (the **Legislation**) of the Jurisdictions that the following requirements (**Statement of Account Requirements**) in the Legislation shall not apply to the Filer:

- (i) the provisions (the **Monthly Statement Requirement**) that would require the Filer, as a registered scholarship plan dealer, to prepare, and, depending upon the Jurisdiction, send or forward, a statement of account to each client of the Filer at the end of each month in which the client has, depending upon the Jurisdiction, effected or recorded, a transaction, where there is a debit or credit balance or securities held, and
- (ii) the provisions (the **Quarterly Statement Requirement**) that would require the Filer, as a registered scholarship plan dealer, to prepare, and, depending upon the Jurisdiction, send or forward, a statement of account to each client of the Filer, not less than every three months, where the client has not effected a transaction in the period, but there are either funds or securities held by the Filer for the client on a continuing basis, showing any debit or credit balance and the details of any securities held or owned,

where the subject securities are Scholarship Plan Securities (as defined below) of a Canadian Scholarship Trust Plan (as defined below).

The local securities regulatory authority or regulator (the **Trade Confirmation Exemption Decision Makers**) in each of the Jurisdictions has also received an application from the Filer for a decision under the Legislation of the Jurisdictions that the Trade Confirmation Requirement (as defined below) shall not apply to the Filer in the case of a transaction (a **Pre-Authorized Self-Determined Plan Contribution**) by a customer of the Filer, that consists of a Contribution (as defined below) by the customer to a Canadian Scholarship Trust Plan that is a Self-Determined Plan (as defined below), that is made after the customer has made an Initial Contribution (as defined below) to the Self-Determined Plan, and that is made pursuant to the terms of a pre-authorized payment schedule that was agreed to by the customer at the time of the Initial Contribution.

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the Ontario Securities Commission is the principal regulator for these applications, and

2008 BCSECCOM 487

- (b) this MRRS decision document evidences the decisions of each Statement of Account Exemption Decision Maker and each Trade Confirmation Exemption Decision Maker (collectively, the **Decision Makers**).

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in these decisions unless they are defined in the decision.

In these decisions, the **Trade Confirmation Requirement** means the provisions contained in the Legislation that require a registered dealer, who has acted as principal or agent in connection with, depending upon the Jurisdiction, a trade in a security or a purchase or sale of a security, to promptly send or deliver to the customer a written confirmation (a **Trade Confirmation**) of the transaction, setting forth certain information specified in the Legislation.

Representations

These decisions are based on the following facts represented by the Filer:

1. The Filer is a corporation incorporated under the laws of Canada having its head office in Ontario. The Filer is a wholly-owned subsidiary of Canadian Scholarship Trust Foundation (the **Foundation**).
2. The Filer is registered under the Legislation of each Jurisdiction as a scholarship plan dealer, and, as such, registered for the purpose of trading in securities (**Scholarship Plan Securities**) of a scholarship or educational plan or trust. The Filer is not registered in any other category of registration under the Legislation of any of the Jurisdictions.
3. Each of the following group scholarship plans (each, a **Group Plan** and, collectively, the **Group Plans**) is sponsored and administered by the Foundation:
 - (i) The Canadian Scholarship Trust Plan – Plan I;
 - (ii) The Canadian Scholarship Trust Plan – Plan II;
 - (iii) The Canadian Scholarship Trust Plan – The Founders’ Plan;
 - (iv) The Canadian Scholarship Trust Plan – Group Savings Plan; and
 - (iv) The Canadian Scholarship Trust Plan – Group Savings Plan 2001 (the **Group Saving Plan**).

2008 BCSECCOM 487

4. Each of the following scholarship plans (each, a **Self-Determined Plan**, and, collectively, the **Self-Determined Plans**) is sponsored and administered by the Foundation:
 - (i) The Canadian Scholarship Trust Plan – Individual Savings Plan (each, an **Individual Plan**);
 - (ii) The Canadian Scholarship Trust Plan – Family Savings Plan (each, a **Family Plan**);
5. Currently, the Group Savings Plan is the only Group Plan available to new Contributors (as defined below).
6. The assets of each of the Plans are held in trust by RBC Dexia Investor Services Trust (the **Trustee**) pursuant to trust agreements.
7. The only Scholarship Plan Securities that are (or have been) offered by the Filer consist of education savings plan agreements (each, an **Education Savings Plan Agreement**) evidencing interests in a Group Plan or interests in a Self-Determined Plan that is (or has been) offered by a prospectus. The current offering of interests in the Group Savings Plans and the Self-Determined Plans (collectively, the **Canadian Scholarship Trust Plans** or the **Plans**, and individually, a **Canadian Scholarship Trust Plan** or **Plan**) is being made pursuant to a prospectus.
8. Interests in the Group Plans and interests in the Self-Determined Plans are sold to persons (each, a **Contributor**) who enter into an Education Savings Plan Agreement with the Foundation and the Trustee, whereby the Contributor agrees to contribute an amount or amounts (a **Contribution**) to a Plan, by way of a lump sum payment, or a series of payments, in accordance with the terms of the particular Plan selected by the Contributor. These amounts, after the payment of certain fees and expenses, are held in trust by the Trustee on behalf of the Contributor and the child(ren) (each, a **Beneficiary**) designated by the Contributor as the Contributor's beneficiary(s) for the purposes of the Plan.
9. Upon the fulfilment of certain conditions prescribed by the Tax Act, each Education Savings Plan Agreement is registered under the Income Tax Act (Canada) (the **Tax Act**) as a "registered education savings plan" (an **RESP**).

2008 BCSECCOM 487

10. Contributions made by Contributors under each of the Plans are invested according to the investment restrictions and practices contained in the Tax Act and National Policy 15 Conditions Precedent to Acceptance of Scholarship or Education Plan Prospectuses (as such Policy is currently being interpreted and applied).
11. The Group Plans and the Self-Determined Plans are all education savings plans designed to help the Contributor save amounts to assist the Beneficiary(s) designated by the Contributor in paying for the expenses of the Beneficiary's post-secondary education (in a program, and at an institution, that qualifies for the purposes of the particular Plan) under which amounts (**Education Assistance Payments** or **EAPs**) are paid out of the Plan to the Beneficiary, using income that is earned on the corresponding Contributions, less certain fees and expenses, plus: (i) government grants that are contributed to the Plan for the Beneficiary (including income earned on the government grants, less certain expenses); and (ii) in the case of a Group Plan, but depending upon the particular Group Plan, certain other amounts contributed by other Contributors participating in the same Plan that may have been forfeited, or amounts contributed by the Foundation. Under each Plan, the amount of the Contributions made (less enrolment fees and depository charges) (the **Principal**) is to be returned to the Contributor at a maturity (**Maturity**) date specified for the corresponding Plan. All or part of the enrolment fees paid by the Contributor may also be refunded to the Contributor or paid to their Beneficiary as part of an Educational Assistance Payment following Maturity, in accordance with terms of the particular Plan.
12. In a Group Plan, the Education Assistance Payments payable to a Beneficiary include government grants and may also include a share of income earned on Contributions made by other Contributors whose participation in the same Plan terminated before Maturity, income earned after Maturity on amounts not withdrawn from the Plan at Maturity, amounts remaining in the Plan that are not collected by Beneficiaries within the period of eligibility to claim such amounts, and discretionary amounts that may be paid by the Foundation out of its surplus funds. Under a Self-Determined Plan, Education Assistance Payments are paid to Beneficiary(s) at the discretion of the Contributor, within the limitations of the Tax Act. In a Self-Determined Plan, the Education Assistance Payments include income earned on the Principal contributed, government grants and income earned on government grants.
13. In the case of an Education Savings Plan Agreement for a Group Plan, the Contributor may designate one child as the Beneficiary. The Contributor

2008 BCSECCOM 487

agrees in their Education Savings Plan Agreement to make payments for the purchase of units (**Units**) in the particular Group Savings Plan in which the Contributor participates according to a contribution schedule (the **Contribution Schedule**). The amount of a Contributor's Contribution under the Group Plan will depend upon the number of Units the Contributor agrees to purchase, the frequency and length of time that the Contributor makes Contributions to pay for these Units, and the age of the Beneficiary at the time that the Contributor enrolls in the Group Plan. Under the Contribution Schedule for the Group Savings Plan being offered to new Contributors, a Contributor can choose between different contribution options (each, a **Contribution Option**), including a one-time payment or periodic payments.

14. In the case of an Education Savings Plan Agreement that is an Individual Plan, the Contributor may designate one child as the Beneficiary. In the case of an Education Savings Plan Agreement that is a Family Plan, the Contributor may designate one or more children as a Beneficiary. Under Self-Determined Plans, the Contributor is required to make an initial contribution (an **Initial Contribution**) at the time they enter into the corresponding Education Savings Plan Agreement, with the amount and frequency of any further contributions determined by the Contributor. The Individual Plan and the Family Savings Plan are referred to as "self-determined plans" because there is no required contribution schedule and the corresponding Education Assistance Payments that are paid to their Beneficiary(s) are calculated without reference to any other Contributor or their Beneficiaries.
15. Contributors have three payment options for making their Contributions to a Plan:
 - (a) pre-authorized payment out of an account (**the Contributor's Bank Account**) of the Contributor at a bank or other financial institution;
 - (b) other methods of payment out of the Contributor's Bank Account (e.g., ATM, telephone or internet banking); or
 - (c) cheque made payable from the Contributor's Bank Account.

Cheques must be made payable, and other payments directed, to either the Foundation or the Trustee, but never to the Filer.

16. Except for temporary custody of cheques that may be made payable to the Foundation, a Contributor, or a Beneficiary, the Filer does not ever hold

2008 BCSECCOM 487

funds on behalf of any client of the Filer. Nor are any Scholarship Plan Securities that are owned by clients of the Filer registered in the name of the Filer; instead, these securities are shown on the books of the issuer in the name of the client.

17. In the case of an Education Savings Plan Agreement for a Group Plan, the Contributor must pay a per Unit enrolment fee. A Contributor must also pay a depository charge, the amount of which depends on the frequency of his or her payments under the Contribution Schedule. The enrolment fee and depository charge are the only fees associated with a Group Plan which are paid from a Contributor's Contributions to the Plan. All other mandatory fees, including administration fees, Trustee fees and investment management fees are paid from the income earned in the Plan.
18. In the case of an Education Savings Plan Agreement for a Self-Determined Plan, the Contributor must pay an enrolment fee at the time the Education Savings Plan Agreement is entered into and the full amount of the enrolment fee is paid with the Contributor's Initial Contribution. The enrolment fee is the only fee associated with a Self-Determined Plan, which is paid from a Contributor's Contributions to the Plan. All other mandatory fees, including administration fees, Trustee fees and investment management fees are paid from the income earned in the Plan.
19. Without the exemptions from Statement of Account Requirements and the Trade Confirmation Requirements provided for in these decisions, the additional costs associated with the Filer otherwise complying with the Statement of Account Requirements and the Trade Confirmation Requirement would be significant relative to the dollar value of Contributions made by Contributors during the relevant periods.
20. At the time a Contributor enters into the Education Savings Plan Agreement for a Plan, the Contributor is furnished with a Confirmation of Trade in respect of the transaction, in accordance with the Trade Confirmation Requirement, which will set out the information required by the Legislation to be set out in the Confirmation of Trade and will include complete details concerning the enrolment fee, the number of Units (as applicable) purchased, the amount of the Initial Contribution, and the payment schedule for any subsequent Contributions that the Contributor agrees to make under the Plan.
21. Customers of the Filer who enter into an Education Savings Plan Agreement for a Group Plan, and purchase a specific number of Units in accordance with a Contribution Schedule, will be furnished with an initial

2008 BCSECCOM 487

Confirmation of Trade in respect of their entering into the Education Savings Plan Agreement and making the Initial Contribution for these Units, but not for subsequent Contributions that are made in payment for these Units after the Initial Contribution.

22. Since customers of the Filer who enter into Education Savings Plan Agreements for a Self-Determined Plan do not acquire, or agree to acquire, any specific number of Units, or any specific amount of interest(s), at the time they enter into the Education Savings Plan Agreement, in the absence of an exemption, the Filer would be obliged by the Trade Confirmation Requirement to send or deliver a Confirmation of Trade to the customer each time the customer makes a Contribution to their Self-Determined Plan, even where the Contribution is a subsequent Contribution that was previously agreed to by the customer.
23. The only securities transactions that the Filer will undertake with or on behalf of any customer or client of the Filer will relate to Scholarship Plan Securities.
24. For each period (a **Reporting Period**), beginning on January 1 (or, if the client opened their account with the Filer during the period, beginning the date the account was opened) and ending on December 31 (or, if the corresponding Education Savings Plan Agreement of the client was terminated in the period, ending on the date of termination), the Filer will, within 60 days of the end of the Reporting Period, send to each client of the Filer who, at any time during the Reporting Period, was the owner of any Scholarship Plan Securities that consist of an interest in a Plan or had an account at the Filer, in respect of which there was a debit or credit balance or the Filer held any securities on behalf of the client, a statement of account (the **Annual Statement of Account**) that shows, for the account of the client, the same information that the Filer would, but for the exemptions in these decisions, have been required under the Legislation to provide in:
 - (i) any statement of account, prepared as at the end of any month in the Reporting Period, that the Filer would, but for the exemptions in these decisions, have been required to send or forward to the client, in accordance with the Monthly Statement Requirement,
 - (ii) any statement of account, prepared as at the end of any three-month period ending in the Reporting Period, that the Filer would, but for the exemptions in these decisions, have been required to send or

2008 BCSECCOM 487

forward to the client, in accordance with the Quarterly Statement Requirement, and

- (iii) any Confirmation of Trade that the Filer would, but for the exemptions in these decisions, have been required to send or deliver to the client for any transactions during the Reporting Period, in accordance with the Confirmation of Trade Requirement, if it has not already done so.
- 25. The Filer maintains an internet facility (the **Statement of Account Internet Facility**) whereby clients of the Filer can access an overview of their account(s) at the Filer by logging on to a web site of the Filer, and, through a secure connection, monitor activity in their account(s). The Statement of Account Internet Facility allows clients of the Filer to access the same information regarding their account(s) at the Filer that the Filer has included (or will include) in an Annual Statement of Account, except that the information will be presented for both the most recently completed Reporting Period and the current Reporting Period (which will be presented and identified on a real-time basis).
- 26. Clients of the Filer may also contact customer service representatives of the Filer, by telephone during normal business hours, and obtain, free of charge, by facsimile or mail, a copy of the same information that would be available to the client through the Statement of Account Internet Facility.
- 27. Any person or company that is not currently a customer or client of the Filer on the effective date of these decisions, will, before they are accepted as a customer or client of the Filer, receive disclosure from the Filer concerning the reporting that they will receive from the Filer, including the reporting referred to in paragraphs 24, 25 and 26, above.
- 28. Existing customers or clients of the Filer have received prominent disclosure from the Filer concerning the reporting that they will receive from the Filer, including the reporting referred to in paragraphs 24, 25 and 26, above.

Decisions

Each of the Decision Makers is satisfied that the tests contained in the Legislation that provides the Decision Maker with the jurisdiction to make these decisions has been met.

The decision of the Statement of Account Exemption Decision Makers under the Legislation of each Jurisdiction is that the Filer shall not be required to send a

2008 BCSECCOM 487

statement of account to any client of the Filer at the end of the month in which the client has effected a transaction, in accordance with the Monthly Statement of Account Requirement in the Legislation, provided that:

- (A) the Filer sends to the client the corresponding Annual Statement of Account, as described in paragraph 24, above; and
- (B) for each Jurisdiction, this decision shall terminate one year after the coming into force of any rule or other regulation under the Legislation of the Jurisdiction that relates, in whole or in part, to the Monthly Statement of Account Requirement in the Legislation applicable to dealers that are registered under the Legislation as scholarship plan dealers.

The decision of the Statement of Account Exemption Decision Makers under the Legislation of each Jurisdiction is that the Filer shall not be required to send a statement of account to any client of the Filer for any period, where, during the period, the client has not effected a transaction, but for which the Filer would, by reason only of the fact there are Scholarship Plan Securities held by the Filer on a continuing basis for the client, be required to send to the client a statement of account, in accordance with the Quarterly Statement of Account Requirement, provided that:

- (C) the Filer sends to the client the corresponding Annual Statement of Account, referred to in paragraph 24, above; and
- (D) for each Jurisdiction, this decision shall terminate one year after the coming into force of any rule or other regulation under the Legislation of the Jurisdiction that relates, in the whole or in the part, to the Quarterly Statement of Account Requirement in the Legislation applicable to dealers that are registered under the Legislation as scholarship plan dealers.

“David M. Gilkes”
Manager
Registrant Regulation
Ontario Securities Commission

It is the decision of the Trade Confirmation Exemption Decision Makers under the Legislation of each Jurisdiction having the Trade Confirmation Requirement that the Filer shall not be required to send or deliver to any customer of the Filer a Confirmation of Trade for a transaction that consists of a trade that is a Pre-

2008 BCSECCOM 487

Authorized Self-Determined Plan Contribution made pursuant to an Education Savings Plan Agreement for which a Trade Confirmation was sent to the customer in respect of the Initial Contribution by the customer, in accordance with the Trade Confirmation Requirement, provided that:

- (E) in the case of each such transaction, the Filer sends to the customer the corresponding Annual Statement of Account, as described to in paragraph 24, above; and
- (F) for each Jurisdiction, this decision shall terminate one year after the coming into force of any rule or other regulation under the Legislation of the Jurisdiction that relates, in whole or in part, to the Trade Confirmation Requirement in the Legislation applicable to dealers that are registered under the Legislation as scholarship plan dealers.

“Suresh Thakrar”
Commissioner
Ontario Securities Commission

“Paul K. Bates”
Commissioner
Ontario Securities Commission