

2002 BCSECCOM 590

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – exemption granted to allow applicant’s representatives to pay fees or commissions payable by clients upon redemption of third party products in connection with the purchase of mutual funds managed by a member of the same organization as the applicant’s representatives.

Applicable British Columbia Provisions

National Instrument 81-105 Mutual Fund sales Practices, ss. 7.1, 9.1

IN THE MATTER OF NATIONAL INSTRUMENT 81-105 MUTUAL FUND SALES PRACTICES (“NI 81-105”)

AND

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

AND

IN THE MATTER OF MANULIFE SECURITIES INTERNATIONAL LTD.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authorities or regulators (the “Decision Makers”) in the jurisdictions of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, the Yukon Territory and the Northwest Territories have received an application from Manulife Securities International Ltd. (“Manulife”) on behalf of itself and its current and future representatives (the “Representatives”) from time to time for a decision pursuant to section 9.1 of NI 81-105 that the prohibitions on certain rebates (“Rebates”) of redemption commission or fees contained in paragraph 7.1(1)(b) of NI 81-105 shall not apply to Rebates paid by Representatives to clients who are switching from Third Party Funds (defined below) to Elliott & Page Funds (defined below) (the “Proprietary Rebates”);

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 Manulife has represented to the Decision Makers as follows:

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1. Manulife is registered as a mutual fund dealer in all of the provinces of Canada, the Northwest Territories and the Yukon Territory. Manulife is also registered as a limited market dealer in Ontario and Newfoundland.
2. Elliott & Page Limited (“Elliott & Page”) is the manager of the mutual funds known as the Elliott & Page Group of Funds, the Manulife Cabot Funds and the Elliott & Page International Funds (Seamark) (these mutual funds together with any mutual funds of which Elliott & Page becomes manager in the future are referred to collectively as the “Elliott & Page Funds”).
3. Manulife is an affiliate of Elliott & Page and is therefore a “member of the organization” of the Elliott & Page Funds pursuant to NI 81-105.
4. Manulife is a participating dealer of the Elliott & Page Funds as well as of other mutual funds not managed by Elliott & Page (“Third Party Funds”);
5. Paragraph 7.1(1)(b) of NI 81-105 prohibits Representatives from paying Proprietary Rebates to clients who are switching from Third Party Funds to Elliott & Page Funds;
6. The relief is being applied for in order to facilitate the Proprietary Rebates;
7. The decision to pay such Proprietary Rebates will be made by the Representatives based on the best interests of the particular client;
8. Representatives are not required by Manulife or any of its affiliates to sell Elliott & Page Funds to clients and accordingly have no quotas in respect of selling Elliott & Page Funds and are not provided with incentives by Manulife (other than as permitted by NI 81-105) or any of its affiliates to sell Elliott & Page Funds.

AND WHEREAS pursuant to the System this 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 NI 81-105 that provides the Decision Maker with the jurisdiction to make the decision has been met;

THE DECISION of the Decision Makers pursuant to section 9.1 of NI 81-105 is that Manulife shall be exempt from the prohibitions on payment of Rebates contained in paragraph 7.1(1)(b) of NI 81-105 to the extent necessary to allow Representatives to pay Proprietary Rebates;

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PROVIDED that in respect of each such payment:

- (i) Manulife, and the relevant Representative, as the case may be, complies with the informed written consent provisions of paragraph 7.1(1)(a) and the disclosure and consent provisions of Part 8 of NI 81-105;
- (ii) The Representative advises each client in advance that any Rebate proposed to be made available by a Representative in connection with the purchase of securities of Elliott & Page Funds (a) will be available to the client regardless of whether the redemption proceeds are invested in an Elliott & Page Fund or a Third Party Fund (to a maximum of the commission earned by the Representative on the purchase), and (b) will not be conditional on a purchase of securities of the Elliott & Page Funds;
- (iii) Representatives are not and shall not in the future be subject to quotas (either express or implied) in respect of the distribution of the Elliott & Page Funds and shall continue to be entitled to offer competing Third Party Funds to their clients;
- (iv) Except as permitted by NI 81-105, neither Manulife nor any of its affiliates shall provide an incentive (monetary or non-monetary) to any Representative to recommend the Elliott & Page Funds over Third Party Funds;
- (v) The amount of the Proprietary Rebate that is borne by a Representative is determined by the Representative and the client; and
- (vi) The Representatives that pay the Proprietary Rebates are not and will not be reimbursed directly or indirectly for such payment by Manulife or any of its affiliates.

AND PROVIDED FURTHER that this Decision Document shall cease to be operative with respect to a Decision Maker following the entry into force of a rule of that Decision Maker that replaces or amends section 7.1 of NI 81-105.

DATED June 3, 2002.

Robert W. Korthals

Paul M. Moore