

# **2004 BCSECCOM 89**

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – relief granted to certain vice presidents and other nominal officers of a reporting issuer from the insider reporting requirements subject to certain conditions

## **Applicable British Columbia Provisions**

*Securities Act*, R.S.B.C. 1996, c. 418, s. 91

National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements*

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

**AND**

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

**AND**

**IN THE MATTER OF BANK OF MONTREAL**

## **MRRS DECISION DOCUMENT**

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Québec and Saskatchewan (collectively, the “Jurisdictions”) has received an application from Bank of Montreal (the “Bank”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the requirements contained in the Legislation to file insider reports shall not apply to certain individuals who are insiders of the Bank, or insiders of reporting issuers in which the Bank is an insider, by reason of having a nominal vice president title or another nominal title inferring a similar level of authority or responsibility as a nominal vice president title (a “Nominal Title”);

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this application;

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AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or in Québec Commission Notice 14-101;

AND WHEREAS the Bank has represented to the Decision Makers that:

1. The Bank is a Schedule 1 Canadian chartered bank governed by the *Bank Act* (Canada), having its head office in Montreal, Québec and its corporate headquarters and executive offices in Toronto, Ontario.
2. The Bank is a reporting issuer (or equivalent) in each of the Jurisdictions and is not in default of any requirements under the Legislation. The Bank's common shares are listed and posted for trading on the Toronto Stock Exchange and the New York Stock Exchange. The Bank's preferred shares trade on The Toronto Stock Exchange.
3. As at October 1, 2003, the Bank had approximately 260 subsidiaries, five of which were as at October 31, 2002 "major subsidiaries" of the Bank as defined under National Instrument 55-101 ("NI 55-101").
4. The Bank is and may from time to time be an insider of certain reporting issuers ("Investment Issuers"), as a result of which the Bank's insiders would be required to file insider reports in respect of trades of securities of such Investment Issuers, subject to applicable exemptions. Accordingly, the Bank is seeking exemptive relief from the insider reporting requirements both with respect to securities of the Bank and with respect to securities of Investment Issuers. As at July 15, 2003, the Bank's only Investment Issuer was BMO Capital Trust.
5. As at July 15, 2003, there were approximately 2,196 persons who were considered insiders of the Bank by reason of being a senior officer or a senior executive (as defined in the Legislation) of the Bank or a subsidiary of the Bank, of whom:
  - (a) 128 are senior officers of the Bank and its subsidiaries who, by virtue of their positions, may in the ordinary course receive or have access to material undisclosed information concerning the Bank (current and future senior officers of the Bank and its subsidiaries who meet the foregoing description are collectively referred to as "Subject Officers");
  - (b) approximately 326 are currently exempt from the insider reporting requirements of the Legislation by reason of the exemptions contained in

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NI 55-101 or exemptive orders previously granted by certain of the Decision Makers; and

(c) approximately 1,742 are currently insiders of the Bank and meet the criteria for exemption set out under CSA Staff Notice 55-306 and are not otherwise exempt from insider reporting requirements pursuant to NI 55-101.

6. The Bank has made an application to seek relief from insider reporting requirements for individuals who satisfy the following criteria (the “Exempt Officer Criteria”):

(a) the individual has been given a Nominal Title;

(b) the individual is not in charge of a principal business unit, division or function of the Bank or a “major subsidiary” of the Bank (as such term is defined in NI 55-101);

(c) (i) in the case of relief from insider reporting requirements with respect to securities of the Bank, the individual does not in the ordinary course receive or have access to information as to material facts or material changes concerning the Bank before the material facts or material changes are generally disclosed; or

(ii) in the case of relief from insider reporting requirements with respect to securities of an Investment Issuer, the individual does not in the ordinary course receive or have access to information as to material facts or material changes concerning such reporting issuer before the material facts or material changes are generally disclosed; and

(d) the individual is not an insider of the Bank or the Investment Issuer, as the case may be, in any other capacity.

Present and future employees of the Bank or any subsidiary of the Bank that is now or in future becomes a major subsidiary of the Bank and who meet the Exempt Officer Criteria are referred to as “Exempt Officers”.

7. The Bank has well-established internal policies and procedures relating to monitoring and restricting the trading activities of certain of its insiders and other persons. These include “windows” policies, monitoring of personal trading accounts and requirements for pre-clearance of certain trades. The policies and procedures also relate to identification and handling of non-public material information and prohibit improper communication and use of such

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information. The Bank has provided to the Decision Makers a summary of such policies and procedures.

8. Under supervision of the Chief Compliance Officer of the Bank, designated employees of the Bank and its subsidiaries will:
  - (a) ensure that any employee of the Bank or a major subsidiary of the Bank who is appointed to a Subject Officer position will be advised of the responsibility to file insider reports in respect of trades in Bank securities and securities of Investment Issuers;
  - (b) implement a system to identify newly appointed insiders who meet the Exempt Officer Criteria and monitor any role changes by Exempt Officers to determine whether the Exempt Officer Criteria continues to apply to them; and
  - (c) review the process for determining Subject Officers and Exempt Officers annually.

AND WHEREAS under the System, this MRRS 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 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 requirements contained in the Legislation to file insider reports;

- (i) in respect of securities of the Bank; and
- (ii) in respect of securities of present and future Investment Issuers,

shall not apply to insiders of the Bank, existing and future, who satisfy the Exempt Officer Criteria, for so long as such insiders satisfy the Exempt Officer Criteria provided that:

- (a) the Bank agrees, upon the request of the Decision Makers and to the extent then permitted by law, to make available to the Decision Makers a list of all individuals who are relying on the exemption granted by this Decision; and

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(b) the relief granted hereby will cease to be effective on the date when NI 55-101 is amended.

Dated: February 6, 2004

Theresa McLeod

Paul K. Bates