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Headnote

Mutual Reliance Review System for Exemptive Relief Application - exemption for certain mutual funds from the self-dealing provisions to permit the mutual funds to invest in: a) insurance companies when the mutual funds are involved with the insurance companies under certain insurance product arrangements and b) banks when the mutual funds are involved in counterparty arrangements with the banks regarding RSP Clone fund arrangements, provided that a fund governance mechanism is used

Applicable British Columbia Provisions

Securities Act, R.S.B.C.1996, c. 418, ss. 121(2)(a), 121(2)(c), 123 and 130

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

AND

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

AND

IN THE MATTER OF AIM FUNDS MANAGEMENT INC. AND THE FUNDS LISTED IN SCHEDULE "A"

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application (the "Application") from AIM Funds Management Inc. ("AIM") in its own capacity and on behalf of mutual funds it manages and listed in Schedule "A" (the "Current Funds") as well as such other funds as AIM may establish and advise from time to time (the "Future Funds") (the Current Funds and Future Funds being hereinafter referred to individually as a "Fund" and collectively as the "Funds") for a decision (the "Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following prohibitions under the Legislation which result from an investment by an Insurance Company or Bank (both defined below) or an affiliate of an Insurance Company or Bank in the circumstances set out in this Decision do not apply to investments by each of the Funds:

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- (a) the provision prohibiting a mutual fund from knowingly making or holding an investment in any person or company which is a substantial security holder of the mutual fund, its management company or distribution company (the “Substantial Securityholder Restriction”);
- (b) the provision prohibiting a mutual fund from knowingly making or holding an investment in an issuer in which a substantial securityholder of the mutual fund, its management company or its distribution company has a significant interest (the “Significant Interest Restriction”);

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, 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 it has been represented by AIM to the Decision Makers that:

1. The Funds are, or will be, open-ended mutual fund trusts established, or classes or series of mutual fund corporations incorporated in Canada.
2. AIM is, or will, serve as the manager of the Funds.
3. The securities of the Funds are, or will be, offered for sale in some or all of the provinces and territories of Canada pursuant to one or more simplified prospectus(es) and annual information form(s). Each of the Funds is or will be a reporting issuer under the Legislation and is not on a list of defaulting issuers maintained under the Legislation.
4. The issuers in which investment by the Funds is, or may in the future be, prohibited are a bank listed in Schedule I or II of the Bank Act (Canada), or an authorized foreign bank listed in Schedule III of the Act (a “Bank”) or a company licensed to do business as an insurance company in any Jurisdiction (an “Insurance Company”) and issuers in which a Bank or an Insurance Company holds a significant interest (collectively, the “Affected Issuers” and individually, an “Affected Issuer”) resulting from arrangements under which the Bank or Insurance Company or one of their respective affiliates makes a passive investment in one or more Funds for commercial purposes and not with any intent to influence the investment behaviour of AIM and/or the Funds.

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Investments in Insurance Companies that are Substantial Securityholders of the Funds as a Result of Insurance Product Arrangements

5. There are various insurance company sponsored products that AIM and the Funds are involved in and among them are: 1) individual variable insurance contracts, 2) defined contribution pension plans, and 3) Universal Life products (collectively the “Insurance Product Arrangements”).
6. Under the first arrangement, an investor purchases an individual variable insurance contract (an “IVIC”) from an Insurance Company. Among other features, the IVIC entitles the investor to allocate the investor’s investment among one or more segregated funds.
7. Under the second arrangement, an employee of a company may participate in a defined contribution pension plan (“DC Plan”) sponsored by his or her employer. In that case, the employee, as the DC Plan beneficiary, will generally be able to select from among segregated funds offered by the plan provider, typically an insurance company, which are not available to other purchasers. DC Plans usually entitle the Plan beneficiary to periodically re-allocate the capital among various investment vehicles.
8. Under the third arrangement, a person purchases a Universal Life insurance policy from an Insurance Company. Among other features, the policy entitles the person to allocate a portion of the person’s insurance premiums among one or more segregated funds.
9. AIM has entered or will enter into Insurance Product Arrangements relationships with various Insurance Companies under which the Insurance Company invests in the Funds in accordance with an investment decision made by an investor involved in an Insurance Product Arrangement.
10. Under applicable insurance legislation in each of the Insurance Product Arrangements, the investment in the Fund must appear on the books of the Insurance Company.
11. An Insurance Company has little or no control over the number of securities of the Fund it must purchase and redeem on any given day as this is directed by the collective decisions of investors. Given this, an Insurance Company’s investment in a Fund could be viewed as a passive investment.
12. Under the Legislation, an Insurance Company and each of its affiliates becomes a substantial securityholder in a Fund if it holds more than 20% of the voting securities of the Fund.

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13. In the absence of this Decision, a Fund could not invest or hold securities of an Insurance Company or any of its affiliates if the Insurance Company became a substantial securityholder in the Fund as a result of an Insurance Company Arrangement.
14. Currently, AIM American Premier Class is prohibited from investing in securities of Manulife Financial or any other issuer which is an Affected Issuer solely because Manulife Financial holds in excess of 20% of the voting securities of the Fund and therefore is a substantial securityholder. In addition, AIM American Mid-Cap Class is prohibited from investing in Manulife Financial because Manulife Financial holds in excess of 20% of the Fund.
15. In the future, Manulife Financial or other Insurance Companies which AIM currently does business with or may do business with may hold more than 20% of the voting securities in a Fund as a passive investment under an Insurance Product Arrangement. At such time, a Fund may want to purchase or continue to hold securities of such Insurance Companies where it is in the best interests of the Fund but will be prohibited from doing so by the Substantial Securityholder Restriction in the absence of this Decision.
16. Sun Life Financial Inc. owns 100% of Sun Life Assurance Company of Canada which has entered into Insurance Product Arrangements with AIM. Sun Life Financial Inc. together with its affiliates beneficially own in excess of 20% of Trimark Canadian Fund. Sun Life Financial Inc. and its affiliates are considered a substantial securityholder of Trimark Canadian Fund since together they beneficially own more than 20% of Trimark Canadian Fund. Sun Life Financial Inc. also owns 30% of the voting securities of CI Funds Inc. which is deemed a significant interest because it is more than 10% of the voting securities of that issuer.
17. In the absence of this Decision, Trimark Canadian Fund is prohibited from investing in Sun Life Financial Inc. and Sun Life Assurance Company of Canada as a result of the Substantial Securityholder Restriction. Further, as a result of the Significant Interest Restriction, Trimark Canadian Fund is prohibited from investing in CI Funds Inc. in the absence of this Decision.

Investments in Banks that are Counterparties to Forward Contracts with AIM in Connection with RSP Clone Funds

18. AIM manages a number of RSP Clone Funds. Each RSP Clone Fund seeks to achieve its investment objective while ensuring that its units do not constitute

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“foreign property” under the Income Tax Act (Canada) (the “Tax Act”) for registered retirement savings plans, registered retirement income plans, and deferred profit sharing plans (“Registered Plans”).

19. To achieve its investment objective, each RSP Clone Fund will invest its assets in securities of a specified underlying fund (the “Underlying Funds”) such that its units will, in the opinion of tax counsel to the RSP Clone Funds, be “qualified investments” for Registered Plans and will not constitute foreign property in a Registered Plan. This will primarily be achieved by the RSP Clone Funds entering into derivative contracts with one or more Banks or their affiliates (individually a “Counterparty” and collectively the “Counterparties”) that link the returns to those of the Underlying Funds. However, each RSP Clone Fund also intends to invest a portion of its assets in securities of an Underlying Fund. This investment by an RSP Clone Fund will at all times be below the maximum foreign property limit prescribed under the Tax Act for Registered Plans.
20. Each RSP Clone Fund has obtained, or will obtain, exemptive relief from the Jurisdictions in connection with its activities as an RSP Clone Fund.
21. Each RSP Clone Fund has entered into an ISDA Master Agreement (a “Master Agreement”) with the Counterparties for the purposes of entering into a series of forward contracts (each a “Forward Contract”) typically one month in duration.
22. In order to hedge its obligations under the Forward Contracts, a Counterparty or its affiliate will likely, but is not required to, purchase units of the applicable Underlying Funds, directly or indirectly. Given this, the investment by the Counterparty in the Underlying Fund is a passive investment.
23. Bank of Montreal through its subsidiary BMO Nesbitt Burns Inc., a Counterparty, is deemed to beneficially own in excess of 20% of the shares outstanding in AIM Global Telecommunications Class and in excess of 20% of AIM Global Theme Class arising from hedging its position under RSP Clone Fund arrangements.
24. In the absence of this Decision, if a Counterparty owned more than 20% of the voting securities of an Underlying Fund for hedging purposes, thus becoming a substantial securityholder, the Underlying Fund would be prohibited by the Substantial Securityholder Restriction from investing in securities of the Counterparty.

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25. Therefore, Bank of Montreal would be deemed a substantial securityholder of AIM Global Telecommunications Class and AIM Global Theme Class which would prohibit those funds from owning securities of Bank of Montreal.
26. In the future, Bank of Montreal or other Banks and their affiliates which AIM currently does business with or may do business with as a Counterparty may hold more than 20% of the voting securities in a Fund for hedging purposes under a RSP Clone Fund Arrangement. At such time, a Fund may want to purchase or continue to hold securities of such Bank or its affiliates where it is in the best interests of the Fund but will be prohibited from doing so by the Substantial Securityholder Restriction in the absence of this Decision.
27. On behalf of certain funds, AIM has in the past bought for the portfolio of one or more of the Funds debt securities of companies in which Bank of Montreal owns more than 10% of the voting securities of the companies. Bank of Montreal would be considered to have a significant interest in those companies.
28. In the absence of this Decision, certain AIM funds may be prohibited by the Significant Interest Restriction from investing in the companies in which a Bank owns more than 10% of the voting securities in circumstances where a Bank, as a Counterparty, is a substantial securityholder in an AIM fund.
29. Except for the relief granted hereby, the investments by the Funds in securities of the Affected Issuers will comply in all respects with the investment restrictions in the Legislation and National Instrument 81-102.
30. AIM believes that it would be in the best interests of investors of the Funds to be permitted to invest in securities of the Affected Issuers, in keeping with the investment objectives of the Funds, though only up to the concentration limits otherwise allowed by applicable Legislation.
31. AIM believes that the investment by the Funds in the Affected Issuers will represent the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Funds.

Independent Review Committee to Oversee Holdings, Purchases or Sales of Securities of Affected Issuers

32. AIM will create an independent review committee (the "Independent Committee"), comprised entirely of individuals who are wholly independent of AIM to oversee the holdings, purchases or sales of securities of Affected Issuers for the Funds.

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33. The Independent Committee will take into consideration the best interests of unitholders of the Funds and no other factors.
34. The Independent Committee shall review the holdings, purchases or sales of securities of the Affected Issuer to ensure that they have been made free from any influence by the Affected Issuer and without taking into account any consideration relevant to an Affected Issuer.
35. Compensation to be paid to members of the Independent Committee will be paid by the Funds and this expense will be apportioned as between the Funds based on the relative size of holdings of the Affected Issuers in each Fund.
36. Within thirty days of the end of each month in which AIM purchases or sells securities of an Affected Issuer on behalf of one or more Funds, AIM shall file the report on SEDAR contemplated by paragraph (n) below disclosing the name of each Fund that purchased or sold securities of an Affected Issuer during the month, the number or amount of Affected Issuer securities purchased or sold by each Fund and the volume weighted average price paid or received for the Affected Issuer securities by each Fund.

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

AND WHEREAS each of the Decision Makers are 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 pursuant to the Legislation is that:

1. a Fund is exempt from the Substantial Securityholder Restriction so as to enable the Fund to invest in, or continue to hold an investment in, securities of the Bank or any of its affiliates where the Fund is involved with a Bank or any of its affiliates as a Counterparty in which the Counterparty has acquired securities of the Fund to hedge its exposure under a Forward Contract;
2. a Fund is exempt from the Significant Interest Restriction so as to enable the Fund to invest in, or continue to hold an investment in, securities of an issuer in which the Bank is deemed to have a significant interest, where the Fund is involved with a Bank or any of its affiliates as a Counterparty in which the Counterparty has acquired securities of the Fund to hedge its exposure under a Forward Contract;

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3. a Fund is exempt from the Substantial Securityholder Restriction so as to enable the Fund to invest in, or continue to hold an investment in, securities of the Insurance Company or any of its affiliates where the Fund is involved in an Insurance Product Arrangement with an Insurance Company;
4. a Fund is exempt from the Significant Interest Restriction so as to enable the Fund to invest in, or continue to hold an investment in, securities of an issuer in which the Insurance Company is deemed to have a significant interest, where the Fund is involved in an Insurance Product Arrangement with the Insurance Company; and
5. this Decision, as it related 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 mutual fund governance in a manner that conflicts with or makes inapplicable any provision of this Decision;

provided that:

- (a) AIM has appointed an Independent Committee to review the Funds' purchases, sales and continued holdings of securities of an Affected Issuer;
- (b) the Independent Committee has at least three members, none of whom is an employee, director, officer or associate of (i) AIM ; (ii) any portfolio manager of the Funds; (iii) any associate or affiliate of AIM or a portfolio manager of the Funds; or (iv) an Insurance Company involved in an Insurance Product Arrangement or a Bank that is a Counterparty or their respective affiliates;
- (c) the Independent Committee has a written mandate describing its duties and standard of care which, at a minimum, sets out the conditions of this Decision;
- (d) the members of the Independent Committee exercise their powers and discharge their duties honestly, in good faith and in the best interests of investors in the Funds and, in doing so, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;
- (e) none of the Funds relieves the members of the Independent Committee from liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph (d);

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- (f) none of the Funds indemnifies the members of the Independent Committee against legal fees, judgments and amounts paid in settlement as a result of a breach of the standard of care set out in paragraph (d);
- (g) none of the Funds incurs the cost of any portion of liability insurance that insures a member of the Independent Committee for a liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph (d);
- (h) the cost of any indemnification or insurance coverage paid for by AIM or any portfolio manager of the Funds, or any associate or affiliate of AIM or a portfolio manager of the Fund to indemnify or insure the members of the Independent Committee in respect of a loss that arises out of a failure to satisfy the standard of care set out in paragraph (d) is not paid either directly or indirectly by the Fund;
- (i) the Independent Committee reviews the Fund's purchases, sales and continued holdings of securities of an Affected Issuer on a regular basis, but not less frequently than every three months;
- (j) the Independent Committee forms the opinion at any time, after reasonable inquiry, that the decisions made on behalf of each Fund by AIM or the Fund's portfolio manager to purchase, sell or continue to hold securities of an Affected Issuer were and continue to be in the best interests of the Fund, and to:
 - (i) represent the business judgement of AIM or the Fund's portfolio manager, uninfluenced by considerations other than the best interests of the Fund;
 - (ii) have been made free from any improper influence by an Affected Issuer and without taking into account any consideration relevant to an Affected Issuer ; and
 - (iii) do not exceed the limitations of the applicable legislation;
- (k) the determination made by the Independent Committee pursuant to paragraph (j) is included in detailed written minutes provided to AIM not less frequently than every three months;
- (l) the reports required to be filed pursuant to the Legislation with respect to every purchase and sale of securities of an Affected Issuer are filed on SEDAR in respect of the relevant Fund;

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- (m) the Independent Committee advises the Decision Makers in writing of:
- (i) any determination by it that the condition set out in paragraph (j) has not been satisfied with respect to any purchase, sale or holding of securities of an Affected Issuer;
 - (ii) any determination by it that any other condition of this Decision has not been satisfied;
 - (iii) any action it has taken or proposes to take following the determinations referred to above; and
 - (iv) any action taken, or proposed to be taken, by AIM or a portfolio manager of the Funds in response to the determinations referred to above;
- (n) the existence, purpose, duties and obligations of the Independent Committee, the names of its members, whether and how they are compensated by the Funds, and the fact that they meet the requirements of the condition set out in paragraph (b) are disclosed:
- (i) in a press release issued, and a material change report filed, prior to reliance on the Decision;
 - (ii) in item 12 of Part A of the simplified prospectus of the Funds; and
 - (iii) on AIM's internet website ;

DATED this 5th day of September, 2003.

Harold P. Hands

H. Lorne Morphy

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Schedule “A”

AIM American Aggressive Growth Fund
AIM American Growth Fund
AIM American Mid Cap Growth Class of AIM Global Fund Inc.
AIM Canada Income Class of AIM Canada Fund Inc.
AIM Canada Money Market Fund
AIM Canadian Balanced Fund
AIM Canadian First Class of AIM Canada Fund Inc.
AIM Canadian Premier Class of AIM Canada Fund Inc.
AIM Canadian Premier Fund
AIM Core American Equity Class of AIM Global Fund Inc.
(to be renamed AIM Trimark Core American Equity Class)
AIM Core Canadian Balanced Class of AIM Canada Fund Inc.
(to be renamed AIM Trimark Core Canadian Balanced Class)
AIM Core Canadian Equity Class of AIM Canada Fund Inc.
(to be renamed AIM Trimark Core Canadian Equity Class)
AIM Core Global Equity Class of AIM Global Fund Inc.
(to be renamed AIM Trimark Core Global Equity Class)
AIM European Growth Class of AIM Global Fund Inc.
AIM European Growth Fund
AIM Global Financial Services Class of AIM Global Fund Inc.
AIM Global Health Sciences Class of AIM Global Fund Inc.
AIM Global Health Sciences Fund
AIM Global Technology Class of AIM Global Fund Inc.
AIM Global Technology Fund
AIM Global Theme Class of AIM Global Fund Inc.
AIM Indo-Pacific Fund
AIM International Growth Class of AIM Global Fund Inc.
AIM RSP American Growth Fund
AIM RSP Core American Equity Fund
(to be renamed AIM Trimark RSP Core American Equity Fund)
AIM RSP Core Global Equity Fund
(to be renamed AIM Trimark RSP Core Global Equity Fund)
AIM RSP European Growth Fund
AIM RSP Global Financial Services Fund
AIM RSP Global Health Sciences Fund
AIM RSP Global Technology Fund
AIM RSP Global Theme Fund
AIM RSP Indo-Pacific Fund
AIM RSP International Growth Fund
AIM Short-Term Income Class of AIM Global Fund Inc.
Trimark Advantage Bond Fund

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Trimark Canadian Bond Fund
Trimark Canadian Endeavour Fund
Trimark Canadian Fund
Trimark Canadian Resources Fund
Trimark Canadian Small Companies Fund
Trimark Discovery Fund
Trimark Enterprise Fund
Trimark Enterprise Small Cap Fund
Trimark Europlus Fund
Trimark Fund
Trimark Global Balanced Class of AIM Global Fund Inc.
Trimark Global Balanced Fund
Trimark Global Endeavour Class of AIM Global Fund Inc.
Trimark Global Endeavour Fund
Trimark Global High Yield Bond Fund
Trimark Government Income Fund
Trimark Income Growth Fund
Trimark Interest Fund
Trimark International Companies Fund
Trimark RSP Discovery Fund
Trimark RSP Europlus Fund
Trimark RSP Global Balanced Fund
Trimark RSP Global Endeavour Fund
Trimark RSP Global High Yield Bond Fund
Trimark RSP International Companies Fund
Trimark RSP Select Growth Fund
Trimark RSP U.S. Companies Fund
Trimark Select Balanced Fund
Trimark Select Canadian Growth Fund
Trimark Select Growth Class of AIM Global Fund Inc.
Trimark Select Growth Fund
Trimark U.S. Companies Class of AIM Global Fund Inc.
Trimark U.S. Companies Fund
Trimark U.S. Money Market Fund
Trimark U.S. Small Companies Class of AIM Global Fund Inc.