

2004 BCSECCOM 412

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - a person who resides outside BC wants to advise BC residents - the person is hired under a written agreement with a BC registered dealer or adviser to provide advice to the BC registrant and its BC clients; the person is registered or qualified to provide the advice in the jurisdiction in which they reside; under a written agreement with its BC clients or the person, the BC registrant accepts responsibility for all losses resulting from inappropriate advice provided by the person

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 48

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN AND MANITOBA

AND

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

AND

IN THE MATTER OF PUTNAM INVESTMENTS INC./INVESTISSEMENTS PUTNAM INC.

MRRS DECISION DOCUMENT

- ¶ 1 WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan and Manitoba (the Jurisdictions) has received an application from Putnam Investments Inc./Investissements Putnam Inc. (Putnam) for a decision under the securities legislation of the Jurisdictions (the Legislation) that the requirements under the Legislation to be registered as an adviser (the Registration Requirement) does not apply to affiliates of Putnam that are resident outside Canada (the Advisers) who provide investment counselling and portfolio management services to clients of Putnam;
- ¶ 2 AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the System), the British Columbia Securities Commission is the principal regulator for this application;

2004 BCSECCOM 412

¶ 3 AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

¶ 4 AND WHEREAS Putnam has represented to the Decision Makers that:

1. Putnam is a corporation incorporated under the Ontario *Business Corporations Act*. The head office of Putnam is located in Ontario;
2. Putnam is registered under the Legislation as an adviser in the categories of investment counsel and portfolio manager (or equivalent) and in Ontario as an adviser in the categories of investment counsel and portfolio manager and as an adviser in the category of commodity trading manager;
3. all Advisers are registered or otherwise qualified under applicable laws in the jurisdiction where the Adviser's head office is located to provide investment counselling and portfolio management services. The Advisers are all affiliates of Putnam. The Advisers will not be residents of Canada;
4. Putnam provides investment counselling and portfolio management services to individual and institutional clients resident in the Jurisdictions and other jurisdictions where it is qualified to provide such services. The clients of Putnam include pension funds, endowments, foundations, large corporations and high net worth individuals;
5. each of the Advisers provides investment counselling and portfolio management services to clients resident in the jurisdictions where its head office is located and in other jurisdictions where it is registered or otherwise qualified to provide such services;
6. Putnam intends to offer the investment counselling and portfolio management services of Putnam and the Advisers to its clients who wish to have exposure to capital markets located in a jurisdiction in which Putnam or an Adviser has experience and expertise (such clients of Putnam, the Participating Clients); Participating Clients will be resident in the Jurisdictions in which Putnam is registered under the Legislation as an adviser in the category of portfolio manager or its equivalent;
7. each Participating Client will enter into an investment management agreement (IMA) with Putnam which provides Putnam with complete discretionary authority to purchase and sell securities on behalf of the client, and authorizes Putnam to delegate its discretionary authority over all or a portion of the client's assets to one or more of the Advisers;

2004 BCSECCOM 412

8. Putnam will enter into an agreement with each Adviser which will set out the obligations and duties of each party in connection with the investment counselling and portfolio management services provided to Participating Clients and pursuant to which the Advisers will agree to act as sub-advisers to Putnam for the benefit of Participating Clients; each Adviser will exercise discretionary authority over the assets of Participating Clients who wish to have exposure to capital markets located in jurisdictions in which the Adviser has experience and expertise;
9. Putnam will agree under the IMA to be responsible for any loss that arises out of the failure of an Adviser:
 - (i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of Putnam and the Participating Client of Putnam for whose benefit the investment advice is, or portfolio management services are, to be provided, or
 - (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, and acknowledges that it cannot be relieved by its clients from this responsibility (collectively, the Assumed Obligations);
10. Putnam will be responsible for providing to Participating Clients all applicable reports and statements required under the Legislation;
11. all direct contact with Participating Clients will be with Putnam and its directors, officers and employees, although representatives of the Advisers may participate in such communications either in person or by telephone from time to time;
12. each Adviser who provides investment counselling and portfolio management services with respect to the assets of Participating Clients would be considered an “adviser” under the Legislation, and in the absence of the requested relief, would be subject to the Registration Requirement unless otherwise exempt;
13. the Advisers cannot rely on any adviser registration exemptions in the Legislation to provide investment counselling and portfolio management services to the Participating Clients.

2004 BCSECCOM 412

- ¶ 5 AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the Decision);
- ¶ 6 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;
- ¶ 7 THE DECISION of the Decision Makers pursuant to the Legislation is that the Registration Requirement does not apply to the Advisers with respect to their activities in providing investment counselling and portfolio management services for the benefit of Participating Clients, provided that:
- (a) the obligations and duties of each of the Advisers are set out in a written agreement with Putnam;
 - (b) Putnam contractually agrees with each Participating Client that Putnam will be responsible for the Assumed Obligations;
 - (c) Putnam cannot be, and at no time is, relieved of the Assumed Obligations by Participating Clients; and
 - (d) Putnam is registered under the Legislation as an adviser in the category of portfolio manager or its equivalent in the Jurisdictions in which Participating Clients are resident; and
 - (e) in Manitoba, the relief is only available to Advisers who are not registered in any Canadian jurisdiction.
- ¶ 8 July 8, 2004

Brenda Leong
Director