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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted from certain provisions of National Instrument 81-105 *Mutual Fund Sales Practices*, to permit mutual fund dealers to recover the direct costs incurred by the dealers in connection with sales communications, investor conferences, and investor seminars, subject to certain conditions – relief also granted to permit representatives of the dealers to be reimbursed for the cost of travel, accommodation, and personal incidental expenses incurred by the representatives for attending conferences, seminars or courses sponsored and organized by mutual funds, trade or industry associations, subject to certain conditions

Applicable British Columbia Provisions

National Instrument 81-105 *Mutual Fund Sales Practices* – ss. 2.1(1), 5.1(a), 5.2(d) and 5.4(1)

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

AND

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

AND

IN THE MATTER OF NATIONAL INSTRUMENT 81-105 MUTUAL FUND SALES PRACTICES

AND

IN THE MATTER OF RICE CAPITAL MANAGEMENT PLUS INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the “Jurisdictions”) has received an application (the “Application”) from Rice Capital Management Plus Inc. (“Rice”), on behalf of its affiliated mutual fund dealers (the “Affiliated Dealers”) for a decision pursuant to section 9.1 of National Instrument 81-105 Mutual Fund Sales Practices (NI 81-105) that:

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- (a) the prohibitions contained in subsection 2.1(1) and the limitations contained in paragraph 5.1(a) of NI 81-105 shall not apply to the direct costs incurred by the Affiliated Dealers relating to a sales communication, investor conference, or investor seminar prepared or presented by the Affiliated Dealers (the “Event”) the primary purpose of which is to promote, or provide educational information concerning financial planning, investing in securities and mutual fund industry matters generally; and
- (b) the prohibitions contained in subsection 2.1(1) and the limitations contained in paragraphs 5.2(d) and 5.4(1) of NI 81-105 shall not apply to travel, accommodation, and personal incidental expenses of a representative of an Affiliated Dealer associated with the attendance of the representative at a mutual fund sponsored conference or seminar, or a conference, seminar or a course organized and presented by trade or industry associations (the “Sponsored Events”).

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), The Manitoba Securities Commission is designated as 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;

AND WHEREAS Rice has represented to the Decision Makers as follows:

1. Rice was incorporated on March 25, 1998 and is a publicly traded holding company that owns the Affiliated Dealers. The head office of Rice is at 491 Portage Avenue, Winnipeg, Manitoba, R3B 2R4.
2. The Affiliated Dealers, which are wholly owned subsidiaries of Rice, are Rice Financial Group Inc. and Independent Wealth Advantage Inc. Both Companies are registered in the Jurisdictions as mutual fund dealers or the equivalent.
3. The Affiliated Dealers:
 - (a) are not required by Rice to sell any specific mutual funds to potential investors;
 - (b) have no vested interest in providing investors with one mutual fund product over another;

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- (c) do not receive any financial or other incentives (other than is permitted by NI 81-105) for recommending to investors any specific mutual funds; and
 - (d) do not provide any incentive to their representatives for recommending to investors any specific mutual fund over those of another mutual fund.
4. The Affiliated Dealers wish to provide investors with information at the Events concerning financial planning, investing in securities or mutual funds generally, and to be permitted to be reimbursed for the direct costs of the Events by a member of the organization of a mutual fund.
5. Paragraph 5.1(a) of NI 81-105 prohibits the ability of the Affiliated Dealers (or their representatives) from being reimbursed by a member of an organization of a mutual fund for direct costs relating to the Events, unless the primary purpose of the Event is to promote, or to provide educational information concerning the mutual fund, the mutual fund family of which the mutual fund is a member, or mutual funds generally.
6. Representatives of the Affiliated Dealers attend Sponsored Events in various locations in Canada. The Sponsored Events are intended to provide, in part, information about financial planning, investing in securities, mutual fund industry matters, and mutual funds generally, which will enable the representative to better serve the needs of investors.
7. Attendance by representatives of the Affiliated Dealers at the Sponsored Events would be facilitated if the costs of attending the Sponsored Events were shared by members of an organization of a mutual fund.
8. Paragraphs 5.2(d) and 5.4(1) of NI 81-105 prohibit a member of an organization of a mutual fund from paying travel, accommodation, or personal incidental expenses associated with the attendance of a representative of the Affiliated Dealers at Sponsored Events.

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 securities legislation in the Jurisdictions (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, pursuant to section 9.1 of NI 81-105, is that:

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1. The prohibitions contained in subsection 2.1(1) prohibiting a member of the organization of a mutual fund from paying money to a participating dealer, providing a non-monetary benefit to a participating dealer or paying or reimbursing a cost or expense incurred, or to be incurred, by a participating dealer shall not apply to a mutual fund organization paying to an Affiliated Dealer:

- (a) a portion of the direct cost (as defined in the NI 81-105) incurred by the Affiliated Dealer relating to an Event, the primary purpose of which is to promote or provide educational information concerning financial planning, investing in securities (including mutual funds) and mutual fund industry matters in general;
- (b) travel, accommodation and incidental personal expenses incurred by the Affiliated Dealer associated with the attendance of a representative of the Affiliated Dealer at a Sponsored Event held in Toronto, Vancouver or Calgary

PROVIDED that:

- (a) the mutual fund organization and the Affiliated Dealer comply with the conditions set out in subsections 5.1(c), (d) and (e) of NI 81-105 in respect of the Event;
- (b) the aggregate of payments to the Affiliated Dealers by all members of the relevant mutual fund organizations do not exceed 50% of the total of expenses of the Event or the travel, accommodation and incidental personal expenses of the Sponsored Event;
- (c) the mutual fund organization and the Affiliated Dealer comply with all other conditions set out in subsections 5.2 and 5.4 of NI 81-105 in respect of conferences, courses or seminars.

AND PROVIDED that this Decision, as it relates 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 that modifies the provisions of sections 5.1, 5.2 or 5.4 of NI 81-105 in a manner that makes the relief provided for in this Decision unnecessary or provides similar relief on a different basis or subject to different conditions.

DATED: July 4, 2003

R. B. Bouchard