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Headnote

Mutual Reliance Review System for Exemptive Relief Application – relief from insider reporting requirements granted to certain individuals with a nominal title, subject to conditions

Applicable British Columbia Provisions

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

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

AND

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

AND

IN THE MATTER OF NATIONAL BANK OF CANADA

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Newfoundland and Labrador and Nova Scotia (collectively, the “Jurisdictions”) has received an application from National Bank of Canada (“National Bank”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the requirement contained in the Legislation to file insider reports shall not apply to certain individuals who are insiders of National Bank by reason of having a nominal vice-president title or another nominal title inferring a similar level of authority or responsibility given to employees who perform functions similar to those performed by employees with a nominal vice-president title (a “Nominal Title”);

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the *Commission des valeurs mobilières du Québec* 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;

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

1. National Bank is a Schedule 1 Canadian chartered bank governed by the *Bank Act* (Canada) with its head office in Montréal.
2. National Bank is a reporting issuer in each province and territory of Canada where such concept exists. National Bank's common shares trade on the Toronto Stock Exchange.
3. As at October 31, 2002, National Bank had approximately 140 subsidiaries, four of which were, at such date, "major subsidiaries" as such term is defined in National Instrument 55-101 ("NI 55-101"). National Bank Group Inc., National Bank Financial & Co. Inc., National Bank Financial Inc. and National Bank Financial Ltd. constitute the "major subsidiaries" of National Bank.
4. As at October 9, 2003, there were approximately 650 individuals who were insiders of National Bank by reason of being a senior officer or a director of National Bank or a subsidiary of National Bank of whom:
 - i) approximately 215 are insiders of National Bank pursuant to the Legislation who are exempt from the insider reporting requirements of the Legislation with respect to securities of National Bank pursuant to NI 55-101 or exemption orders previously granted by certain of the Decision Makers;
 - ii) approximately 258 are employees of major subsidiaries of National Bank who have been given a Nominal Title.
5. National Bank has made this application to seek relief from the insider reporting requirement for individuals who meet the following criteria (the "Nominal Criteria"):
 - i) the individual is a nominal vice-president or a person acting in a similar capacity;
 - ii) the individual is not in charge of a principal business unit, division or function of National Bank or a "major subsidiary" of National Bank (as such term is defined in NI 55-101);
 - iii) the individual does not in the ordinary course of business, receive or have access to information regarding material facts or material changes

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concerning National Bank before the material facts or material changes are generally disclosed; and

- iv) the individual is not an insider of National Bank in any capacity other than as result of holding a Nominal Title.
- 6. Current and future employees of National Bank (or any subsidiary of National Bank that is now or in the future becomes a major subsidiary of National Bank) who meet the “Nominal Criteria” are collectively referred to as “Nominal Vice-Presidents”.
- 7. National Bank and its subsidiaries have established and regularly review policies, procedures and codes: (a) to identify undisclosed material information concerning National Bank, (b) that prohibit improper use of such information, (c) to educate employees on the use of undisclosed material information, (d) that restrict employees to trading in National Bank securities only during designated "open windows", and (e) that establish security mechanisms in order to protect the confidentiality of all privileged information. Such policies, procedures and codes will continue to apply regardless of the relief granted under this Decision.
- 8. A special committee comprised of members of the Corporate Secretary of National Bank and the senior management of National Bank Financial Inc. (the “Special Committee”) has determined that any insider of National Bank must meet the Nominal Criteria in order to qualify as a Nominal Vice-President and has considered the job requirements and principal functions of all such insiders to determine, on a case-by-case basis, which of them are Nominal Vice-Presidents. The Special Committee has undertaken to assess any future employees of National Bank or of any of its major subsidiaries who is an insider on the same basis as set out herein to determine whether they should be considered Nominal Vice-Presidents and, therefore, benefit from the relief granted under this Decision.
- 9. The Special Committee will apply the same analysis each time a Vice-President is appointed or an existing Vice-President makes a lateral change. It will review and update the National Bank’s Nominal Vice President analysis annually. If an individual who is designated as Nominal Vice-President no longer satisfies the Nominal Criteria, the Special Committee will ensure that the individual is informed about his or her renewed obligation to file an insider report on trades in securities of National Bank.
- 10. In connection with this application, National Bank has provided the Decisions Makers with a summary of its internal policies, procedures and codes.

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Designated and authorized persons at National Bank and its subsidiaries are responsible for the administration and application of such policies, procedures and codes.

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 requirement contained in the Legislation to file insider reports shall not apply to present and future Nominal Vice-Presidents of National Bank or its major subsidiaries so long as:

- i) each such individual satisfies the Nominal Criteria;
- ii) National Bank agrees to make available to the Decision Makers, upon request, to the extent permitted by law, a list of all individuals who are relying on the exemption granted by this Decision as at the time of the request; and
- iii) the relief granted will cease to be effective on the date when National Instrument 55-101 is amended.

Dated at Montreal, January 16, 2004

Stéphane Garon

Le conseiller juridique principal et directeur – législation et réglementation