

2003 BCSECCOM 273

Headnote

Mutual Reliance Review System for Exemptive Relief Application - relief granted from dealer registration and prospectus requirements for trades by mutual funds of reinvested securities and additional securities to existing securityholders, subject to certain conditions – relief from requirement to report distribution of privately-placed securities or additional securities provided report filed and fees paid within 30 days after financial year end

Applicable British Columbia Provisions

Securities Act, R.S.B.C.1996, c. 418, ss. 48 and 76

**IN THE MATTER OF THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
QUÉBEC, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD
ISLAND, NEWFOUNDLAND AND LABRADOR, NORTHWEST
TERRITORIES, NUNAVUT AND YUKON**

AND

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

AND

**IN THE MATTER OF
RBC GLOBAL INVESTMENT MANAGEMENT INC.**

MRRS DECISION DOCUMENT

- ¶ 1 WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut and Yukon (the “Jurisdictions”) has received an application from RBC Global Investment Management Inc. (the “Filer”) for a decision under the securities legislation (the “Legislation”) of the Jurisdictions that:

2003 BCSECCOM 273

(a) certain trades in privately-placed shares or units (the “Privately-Placed Securities”) of mutual funds established, or to be established from time to time, by the Filer (the “Funds”) are not subject to the dealer registration requirement or the prospectus requirement under the Legislation of the Jurisdictions; and

(b) trades in Privately-Placed Securities are not subject to the requirements of the Legislation of some of the Jurisdictions relating to the filing of forms and the payment of fees within certain prescribed time periods (the “Reporting Requirement);

¶ 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;

¶ 3 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;

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

1. the Filer is a corporation incorporated under the laws of Canada and is registered under the *Securities Act* (Ontario) as an advisor in the categories of investment counsel and portfolio manager and as a dealer in the category of limited market dealer;
2. the existing Funds are all trusts established under the laws of Ontario;
3. the Filer is, or will be, the manager of each of the Funds and the Filer has offered, or will offer, Privately-Placed Securities of the Funds;
4. each of the Funds is, or is expected to be, a “mutual fund” as defined in the Legislation;
5. it is not currently intended that the Privately-Placed Securities, Additional Securities or Reinvested Securities will be listed on any stock exchange;
6. none of the Funds is a “reporting issuer” as such term is defined in the Legislation;
7. Privately-Placed Securities of the Funds will be distributed on a continuous basis on the terms described in an offering memorandum which will be distributed in connection with the sale of Privately-Placed Securities;

2003 BCSECCOM 273

8. the Funds will distribute Privately-Placed Securities to investors in compliance with available exemptions from the prospectus requirement, including where available, the accredited investor exemption (the “Accredited Investor Exemption”), the sophisticated purchaser exemption (the “Sophisticated Purchaser Exemption”) and the private placement exemption (the “Private Placement Exemption”);
9. trades in the Privately-Placed Securities of the Funds are effected, or will be effected, in the Jurisdictions through the Filer, a registered dealer or in reliance on an exemption from the dealer registration requirement set out in the Legislation;
10. where Privately-Placed Securities of the Funds are, or will be, distributed in reliance on the Private Placement Exemption, the minimum initial investment by a resident of any Jurisdiction will not be less than the prescribed amount (“Prescribed Amount”) in that Jurisdiction;
11. following an initial investment under the Private Placement Exemption, a Fund may distribute additional Privately-Placed Securities (“Additional Securities”) to existing holders in increments of less than the Prescribed Amount, provided the existing holder holds Privately-Placed Securities of such Fund having an aggregate acquisition cost or aggregate net asset value of not less than the Prescribed Amount in the Jurisdiction where the existing holder is resident;
12. the issuance of Additional Securities of a Fund to an existing holder in such circumstances is exempt from the dealer registration requirement and prospectus requirement of the Jurisdictions, except Manitoba, Québec, New Brunswick, Prince Edward Island, Newfoundland and Yukon;
13. each Fund proposes to distribute Privately-Placed Securities (“Reinvested Securities”) by way of reinvestment of distributions to existing holders of the Fund, whether of net income, net realized capital gains or returns of capital;
14. the distribution of Reinvested Securities of a Fund upon the reinvestment of such distributions is not wholly exempt from the dealer registration requirement and the prospectus requirement of British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut and Yukon;

2003 BCSECCOM 273

15. the Legislation of some of the Jurisdictions has a Reporting Requirement in respect of distributions under the Private Placement Exemption, the Sophisticated Purchaser Exemption, or the Accredited Investor Exemption;
 16. by an MRRS decision dated September 17, 1999, RBC GIM has obtained relief, in certain circumstances, from the reporting requirements in British Columbia, Alberta, Newfoundland, Nova Scotia, Quebec and Saskatchewan in respect of trades in Privately-Placed Securities of the Funds made in reliance on the Private Placement Exemption and trades of Additional Securities;
 17. by a decision dated September 17, 1999, RBC GIM has obtained relief, in certain circumstances, from the reporting requirements in Quebec in respect of trades in Privately-Placed Securities of the Funds made in reliance on the Sophisticated Purchaser Exemption; and
 18. Privately-Placed Securities in each of the Funds may or may not be transferable, but will be redeemable upon the request of the existing holder;
- ¶ 5 AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the “Decision”);
- ¶ 6 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;
- ¶ 7 THE DECISION of the Decision Makers pursuant to the Legislation is that:
1. the dealer registration requirement and prospectus requirement contained in the Legislation of the Jurisdictions shall not apply to trades in Reinvested Securities of a Fund provided that:
 - (a) no sales commissions or other charges are payable in respect of such issuance of Reinvested Securities;
 - (b) each existing holder who receives Reinvested Securities has received, not more than 12 months before the issuance, a statement describing (i) any rights the existing holder has to make an election to receive cash instead of Reinvested Securities in the payment of the net income or net realized capital gains distributions or distributions that are a return of capital, (ii) instructions on how the right referred to in subclause (i), if any, can be exercised, and (iii) the fact that no prospectus is available for the Fund as Reinvested Securities are only offered under exemptions from the prospectus requirement;

2003 BCSECCOM 273

- (c) this section 1 will cease to be in effect in a Jurisdiction 90 days after the coming into force of any securities legislation in such Jurisdiction that provides an exemption from the dealer registration requirement and prospectus requirement for distributions of Reinvested Securities of mutual funds;
 - (d) the first trade in Reinvested Securities shall be deemed a distribution or primary distribution to the public, unless, except in Quebec, the conditions in sections (3) or (4) of section 2.6 of Multilateral Instrument 45-102 Resale of Securities ("MI 45-102") are satisfied;
 - (e) in Québec, the Filer notifies and obtains the approval of the Decision Maker in Quebec of its intention to rely on this relief in respect of Funds to be established in the future; and
- 2. the dealer registration requirement, if applicable, and prospectus requirement contained in the Legislation of Alberta, Manitoba, Québec, New Brunswick, Prince Edward Island, Newfoundland, and Yukon shall not apply to trades in Additional Securities to existing holders of a Fund provided that:
 - (a) at the time of the trade of Additional Securities of a Fund, the existing holder then owns Privately-Placed Securities of the Fund having an aggregate acquisition cost or an aggregate net asset value of not less than the Prescribed Amount, or in the case of Alberta, the Prescribed Amount that was in effect at the time the existing holder made the initial investment;
 - (b) this section 2 will cease to be in effect in a Jurisdiction 90 days after the coming into force of any securities legislation in such Jurisdiction that provides an exemption from the dealer registration requirement and prospectus requirement for distributions of Additional Securities of mutual funds;
 - (c) the first trade in Additional Securities shall be deemed a distribution or primary distribution to the public, unless, except in Quebec, the conditions in sections (2) or (3) of section 2.5 of MI 45-102 are satisfied;
 - (d) in Québec, the Filer notifies and obtains the approval of the Decision Maker in Quebec of its intention to rely on this relief in respect of Funds to be established in the future; and

2003 BCSECCOM 273

3. the Reporting Requirement of the Legislation of British Columbia and Alberta does not apply to a trade in Privately-Placed Securities of a Fund under the Accredited Investor Exemption and the Reporting Requirement of the Legislation of Northwest Territories and Nunavut does not apply to a trade in Privately-Placed Securities of a Fund under the Private Placement Exemption, provided that:
 - (a) within 30 days of the end of each financial year of each Fund, such Fund:
 - (i) files with the applicable Decision Maker a report in respect of all trades in Privately Placed Securities of the Fund during such financial year, in the form prescribed by the applicable Legislation; and
 - (ii) remits to the applicable Decision Maker the fee prescribed by the applicable Legislation; and
 - (b) this section 3 will cease to be in effect in a Jurisdiction 90 days after the coming into force of any securities legislation in such Jurisdiction that provides an exemption from the reporting requirement for trades in securities of the Funds under the Accredited Investor Exemption or Private Placement Exemption.

¶ 8 April 8, 2003

Brenda Leong
Director