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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted from certain of the mutual fund self-dealing prohibitions to permit certain mutual funds to make purchases and sales of securities of UBS AG, Manulife or BP, and to retain those securities 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), 127(1)(a), 130

**IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH
COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, QUÉBEC,
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 UBS GLOBAL ASSET MANAGEMENT (CANADA)
CO. (“UBS CANADA”) AND THE FUNDS LISTED ON SCHEDULE A
(COLLECTIVELY, THE “UBS (CANADA) POOLED FUNDS”)**

MRRS DECISION DOCUMENT

WHEREAS UBS Canada has made an application for a decision (the “Decision”) of the local securities regulatory authority or regulator (the “Decision Maker”) in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (the “Jurisdictions”) pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the following provisions of the Legislation do not apply so as to prevent (i) the UBS (Canada) Pooled Funds, together with such other funds as UBS Canada or its affiliates, UBS Global Asset Management (Americas) Inc. or UBS Global Asset Management (UK) Inc. (either, an “Affiliate”) may establish or manage from time to time (together with the UBS (Canada) Pooled Funds, the “UBS Pooled Funds”), where applicable, from investing in, or continuing to hold an investment in, securities of UBS AG; or (ii) the UBS Pooled Funds and the third-party mutual funds to which UBS Canada is or will be the portfolio advisor or sub-advisor, including those listed on Schedule B (the “Mutual Funds”, and together with the UBS Pooled Funds, being hereinafter referred to individually as a “Fund” and collectively as the “Funds”), from investing in, or continuing to hold an

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investment in, securities of Manulife Financial Corporation (“Manulife”) or BP p.l.c. (“BP”):

- (a) the provision of the Legislation prohibiting a mutual fund from knowingly making or holding an investment in any person or company who is a substantial security holder of the mutual fund, its management company or distribution company; and
- (b) the provision of the Legislation prohibiting the portfolio manager of an investment portfolio from knowingly causing an investment portfolio or in British Columbia prohibiting a mutual fund or a responsible person from causing a mutual fund to invest in an issuer in which a responsible person is a director or an officer unless the specific fact is disclosed to the client and the written consent of the client to the investment is obtained before the investment (the provisions of (a) and (b) being, collectively, the “Investment Restrictions”);

AND WHEREAS the Investment Restrictions described in paragraph (a) above are applicable to the UBS Pooled Funds in the following Jurisdictions: Alberta, Ontario and Québec and the Investment Restrictions described in paragraph (b) above are applicable to the Funds in the following Jurisdictions: British Columbia, Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland and Labrador;

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 UBS Canada to the Decision Makers that:

1. The UBS (Canada) Pooled Funds currently consist of a group of 29 mutual funds offered for sale in all provinces and territories of Canada. The UBS (Canada) Pooled Funds are not reporting issuers under the Legislation, nor are they subject to National Instrument 81-102 Mutual Funds (“NI 81-102”).

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2. The Mutual Funds listed on Schedule B are offered for sale in one or more of the provinces and territories of Canada and are subject to NI 81-102. These funds are reporting issuers in the Jurisdictions, except that the Evolution Canadian Equity Large Capitalization Fund is only a reporting issuer in Québec, and The Newport Canadian Equity Fund and The Newport U.S. Equity Fund are not reporting issuers in Québec, Nova Scotia or Newfoundland and Labrador. Additional third-party mutual funds for which UBS Canada may be appointed portfolio advisor or sub-advisor in future will also be offered for sale in one or more of the provinces and territories of Canada and will be subject to NI 81-102.
3. UBS Canada, a Nova Scotia unlimited liability company, is registered as an investment counsel and portfolio manager in all of the Jurisdictions, and as a limited market dealer in Ontario and Newfoundland and Labrador.
4. UBS Canada is or will be the “management company” of the UBS Pooled Funds within the meaning of the Legislation.
5. UBS Canada is a 100% indirect wholly-owned subsidiary of UBS AG, and as a result UBS AG is a substantial security holder of UBS Canada within the meaning of the Legislation, except in the Province of Québec.
6. UBS Canada is or will be the “portfolio manager” of the Funds for purposes of the Legislation. UBS Canada and each of its directors and officers is a “responsible person” within the meaning of the Legislation in respect of the investment portfolio of the Funds.
7. A director and officer of UBS Canada who is a responsible person in respect of the Funds is also a director of Manulife and BP. Such individual does not participate in the formulation of, or generally have access prior to implementation to, the day to day investment decisions made on behalf of the Funds.
8. UBS Canada is prohibited by the Investment Restrictions from causing the investment portfolios of the UBS Pooled Funds to knowingly invest in or hold securities of UBS AG because UBS AG is a substantial security holder of the management company of the UBS Pooled Funds.
9. UBS Canada is prohibited by the Investment Restrictions from causing the investment portfolios of the Funds to knowingly invest in securities of Manulife or BP without prior written consent of all clients because a responsible person of UBS Canada is a director of Manulife and BP.

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10. The Funds do not currently hold any investment in securities of UBS AG. Some of the Funds purchased common shares of Manulife and of BP prior to the appointment of the responsible person to UBS Canada, and those Funds continue to hold those investments. Common shares of Manulife represented approximately 1.3% of the total assets of the UBS (Canada) Canadian Equity Fund and 0.6% of the total assets of the UBS (Canada) Canadian Equity Capped Fund as at March 31, 2003. Common shares of BP represented approximately 1.9% of the UBS (Canada) International Equity Fund, 1.8% of the UBS (Canada) Global Large Cap Equity Fund, and 2.5% of the UBS (Canada) International Large Cap Equity Fund as at March 31, 2003. No additional investments in securities of Manulife or BP have been made by the Funds since the Investment Restrictions were applicable to the Funds.
11. The broad based securities market index which are relevant to comparing the performance of many of the Funds is the S&P/TSX Index in the case of the Canadian equity funds and the MSCI World Free Index and the EAFE MSCI Index in the case of the global and international equity funds.
12. Ordinary shares of UBS AG are listed on the SWX Swiss Exchange, the New York Stock Exchange and the Tokyo Stock Exchange. The shares of UBS AG represented approximately 0.47% of the MSCI World Free Index, and 1.15% of the EAFE MSCI Index as at May 5, 2003.
13. The common shares of Manulife are listed on the Toronto Stock Exchange, the New York Stock Exchange, The Stock Exchange of Hong Kong and the Philippine Stock Exchange. The common shares of Manulife represented approximately 2.90% of the S&P/TSX Index as at April 30, 2003.
14. BP's ordinary shares trade on stock exchanges in England, France, Germany, Japan and Switzerland. American Depositary Securities of BP are listed on the New York Stock Exchange, the Chicago Stock Exchange, the Pacific Stock Exchange and the Toronto Stock Exchange. The equity securities of BP represented approximately 1.13% of the MSCI World Free Index and 2.72% of the EAFE MSCI Index as at May 5, 2003.
15. Where such investments are consistent with their investment objectives, the ability to invest in securities of UBS AG for the UBS Pooled Funds, and in securities of Manulife and BP for the Funds is important to the Funds. UBS Canada does not believe it is prudent for a portfolio manager to exclude securities of UBS AG, Manulife or BP from the securities available for investment.

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16. As a result of the Investment Restrictions, the Funds, and therefore the unitholders of the Funds, may be prejudiced, as those Funds for which such investments are appropriate may not be fully able to carry out their investment strategies.
17. UBS Canada considers it would be in the best interest of unitholders of the Funds if UBS Canada were permitted to invest the portfolio of the UBS Pooled Funds in securities of UBS AG, and the portfolio of the Funds in securities of Manulife and BP, where such investments are consistent with the investment objectives of the Funds.
18. UBS Canada will appoint an independent committee (the “Independent Committee”) to review the UBS Pooled Funds’ purchases, sales and continued holdings of securities of UBS AG, Manulife and BP.
19. The Independent Committee will have at least three members, and no member of the Independent Committee will be an employee, director, officer or associate of:
 - (a) UBS Canada, UBS AG, Manulife, BP or any other portfolio manager of the UBS Pooled Funds; or
 - (b) any associate or affiliate of UBS Canada, UBS AG, Manulife, BP or any other portfolio manager of the UBS Pooled Funds.
20. The Independent Committee will have a written mandate describing its duties and standard of care which, at a minimum, sets out these conditions.
21. The members of the Independent Committee will exercise their powers and discharge their duties honestly, in good faith, and in the best interests of investors in the UBS Pooled Funds and, in so doing, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.
22. Compensation to be paid to members of the Independent Committee will be paid on a per meeting plus expense basis and will be allocated among the UBS Pooled Funds in a manner that is considered by the Independent Committee to be fair and reasonable to the UBS Pooled Funds.

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

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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 pursuant to the Legislation is that:

1. UBS Canada, its Affiliates and the UBS Pooled Funds are exempt from the Investment Restrictions so as to enable the UBS Pooled Funds to invest, and continue to hold an investment in, securities of UBS AG;
2. UBS Canada and its Affiliates are exempt from the Investment Restrictions so as to enable the Funds to invest, and continue to hold an investment in, securities of Manulife and BP; and
3. The 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 dealing with mutual fund governance in a manner that conflicts with or makes inapplicable any provision of this Decision;

provided that:

- (a) UBS Canada has appointed an Independent Committee to review the UBS Pooled Funds' purchases, sales and continued holdings of securities of UBS AG, Manulife and BP;
- (b) the Independent Committee has at least three members, and no member of the Independent Committee is an employee, director, officer or associate of:
 - (i) UBS Canada, UBS AG, Manulife, BP or any other portfolio manager of the UBS Pooled Funds; or
 - (ii) any associate or affiliate of UBS Canada, UBS AG, Manulife, BP or any other portfolio manager of the UBS Pooled Funds;
- (c) the Independent Committee has a written mandate describing its duties and standard of care which, at a minimum, sets out these conditions;
- (d) the members of the Independent Committee exercise their powers and discharge their duties honestly, in good faith, and in the best

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interests of investors in the UBS Pooled Funds and, in so doing, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

- (e) none of the UBS Pooled 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) above;
- (f) none of the UBS Pooled 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) above;
- (g) none of the UBS Pooled 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) above;
- (h) the cost of any indemnification or insurance coverage paid for by UBS Canada, any portfolio manager of the UBS Pooled Funds, or any associate or affiliate of UBS Canada or any portfolio managers of the UBS Pooled Funds 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) above is not paid either directly or indirectly by the UBS Pooled Funds;
- (i) the Independent Committee reviews the UBS Pooled Funds' purchases, sales and continued holdings of securities of UBS AG, Manulife and BP regularly, but not less frequently than quarterly or such shorter period as the Independent Committee may require;
- (j) the Independent Committee forms the opinion, at any time, after reasonable inquiry that the decisions made on behalf of each UBS Pooled Fund by UBS Canada or the UBS Pooled Fund's portfolio manager to purchase, sell or continue to hold securities of UBS AG, Manulife or BP were, and continue to be, in the best interests of the UBS Pooled Fund and to:
 - (i) represent the business judgment of UBS Canada or the UBS Pooled Fund's portfolio manager, uninfluenced by considerations other than the best interests of the UBS Pooled Fund;

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- (ii) have been made free from any influence of UBS AG, Manulife or BP and without taking into account any consideration relevant to UBS AG, Manulife or BP; and
 - (iii) not exceed the limitations of the applicable legislation;
- (k) the determination made by the Independent Committee as described in paragraph (j) above is included in detailed written minutes provided to UBS Canada not less frequently than quarterly;
- (l) the reports required to be filed pursuant to applicable legislation with respect to every purchase and sale of securities of UBS AG, Manulife and BP are filed on SEDAR in respect of the relevant Fund;
- (m) the Independent Committee advises the applicable Decision Maker in writing of:
 - (i) any determination by it that the condition in paragraph (j) above has not been satisfied with respect to any purchase, sale or holding of securities of UBS AG, Manulife or BP;
 - (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 UBS Canada or a portfolio manager of the UBS Pooled Funds in response to the determinations referred to above;
- (n) with respect to the UBS Pooled Funds only, the relationship between related parties including the percentage of ownership, where applicable, will be the initial information stated, followed thereafter with disclosure of the existence, purpose, duties and obligations of the Independent Committee, the names of its members, whether and how they are compensated by the UBS Pooled Funds, and the fact that they meet the requirements of condition (b) above:
 - (i) on UBS Canada's internet website; and

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- (ii) in a written notice mailed to each investor.
- (o) with respect to the Mutual Funds (but only those Mutual Funds that will make an investment otherwise restricted by the Investment Restrictions), disclosure of the existence of this Decision and the consequent ability of the Mutual Funds to invest in securities of Manulife and/or BP, as applicable, will be made:
 - (i) in a press release issued, and a material change report filed, prior to reliance on the Decision;
 - (ii) in item 12 Part A of the simplified prospectus of the applicable Mutual Fund, on the earlier of:
 - (1) the filing of an amendment in the normal course to the simplified prospectus and annual information form of the Fund after the date of this Decision; and
 - (2) the time of filing of the pro forma simplified prospectus and annual information form of the Fund after the date of this Decision; and
 - (iii) on UBS Canada's internet website.

DATED the 29th day of September, 2003.

Robert W. Davis

Paul M. Moore

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SCHEDULE A UBS (CANADA) POOLED FUNDS

UBS (CANADA) AMERICAN EQUITY FUND
UBS (CANADA) BALANCED (CAPPED) FUND
UBS (CANADA) BALANCED FUND
UBS (CANADA) BBB CORPORATE BOND FUND
UBS (CANADA) BOND FUND
UBS (CANADA) CANADA PLUS EQUITY FUND
UBS (CANADA) CANADIAN EQUITY (CAPPED) FUND
UBS (CANADA) CANADIAN EQUITY FUND
UBS (CANADA) CASH IN ACTION FUND
UBS (CANADA) CASH MANAGEMENT FUND
UBS (CANADA) DIVERSIFIED FUND
UBS (CANADA) EMERGING MARKETS EQUITY FUND
UBS (CANADA) EMERGING TECHNOLOGIES FUND
UBS (CANADA) GLOBAL BOND FUND - (CAD)
UBS (CANADA) GLOBAL EQUITY FUND
UBS (CANADA) GLOBAL LARGE CAP EQUITY FUND
UBS (CANADA) GLOBAL LARGE CAP EQUITY WITH CASH FUND
UBS (CANADA) GOVERNMENT OF CANADA MONEY MARKET FUND
UBS (CANADA) INDEXED BOND FUND SERIES A
UBS (CANADA) INTERNATIONAL EQUITY FUND
UBS (CANADA) INTERNATIONAL LARGE CAP EQUITY FUND
UBS (CANADA) LONG TERM BOND FUND
UBS (CANADA) MONEY MARKET FUND
UBS (CANADA) QUEBEC SMALL CAP FUND
UBS (CANADA) SHORT TERM BOND FUND
UBS (CANADA) SMALL CAPITALIZATION FUND
UBS (CANADA) U.S. \$ CASH MANAGEMENT SERIES A
UBS (CANADA) U.S. EQUITY FUND
UBS (CANADA) U.S. LARGE/MID CAP EQUITY FUND

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SCHEDULE B THIRD-PARTY MUTUAL FUNDS

CLARICA CANADIAN SMALL/MID CAP FUND
EVOLUTION CANADIAN EQUITY LARGE CAPITALIZATION FUND
MACKENZIE UNIVERSAL FINANCIAL SERVICES CAPITAL CLASS
PINNACLE SHORT TERM INCOME FUND
TD INTERNATIONAL EQUITY FUND
THE NEWPORT CANADIAN EQUITY FUND
THE NEWPORT U.S. EQUITY FUND
WORKING VENTURES CANADIAN FUND INC.
WORKING VENTURES OPPORTUNITY FUND INC.