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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief granted from the prohibitions against investing in the securities of a person who is a substantial securityholder of the manager of mutual funds, subject to certain conditions – applicant manages mutual fund which tracks the performance of a specified index – manager is a wholly-owned subsidiary of a company whose shares form part of the target index

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 120(1), 120(2), 121(1)(a), 123, 127(1)(a)

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

AND

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

AND

IN THE MATTER OF NATIONAL BANK CANADIAN INDEX FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan and Ontario (the “Jurisdictions”) has received an application from National Bank Securities Inc. (“NBSI”), in its capacity as manager of National Bank Canadian Index Fund (the “Fund”), and Natcan Investment Inc. (“Natcan”), in its capacity as the portfolio adviser of the Fund (collectively, the “Filer”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the following requirements (the “Applicable Restrictions”) contained in the Legislation shall not apply in respect of investments made by the Fund in securities of National Bank of Canada (“NBC”) or its affiliates or associates (collectively, “NBC Securities”):

1. The restrictions contained in the Legislation prohibiting a mutual fund from knowingly making or holding an investment in a person or company who is a substantial securityholder of the mutual fund, its management company or distribution company; and

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2. The restrictions contained in the Legislation prohibiting a portfolio manager, or in British Columbia, the mutual fund, from knowingly causing an investment portfolio managed by it to invest in any issuer in which a “responsible person” (as that term is defined in the Legislation) is an officer or director, unless the specific fact is disclosed to the client and, if applicable, the written consent of the client to the investment is obtained before the purchase.

AND WHEREAS under 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 the Filer has represented to the Decision Makers that:

1. NBSI, a corporation duly incorporated under the laws of Canada, is a wholly-owned subsidiary of NBC and is registered as a mutual fund dealer. NBSI is the manager of the Fund.
2. Natcan, a corporation duly incorporated under the laws of Quebec, is a majority-owned subsidiary of NBC and is registered as an investment counsel and portfolio manager and Extra-Provincial Adviser.
3. The Fund is an open end mutual fund trust established under the laws of Ontario. The investment objective of the Fund is to seek long-term growth of capital by tracking the performance of the S&P/TSX 60 Index (the “Target Index”).
4. The units of the Fund are offered by prospectus (the “Prospectus”) in the following provinces of Canada : Quebec, Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick and Prince Edward Island. The Fund is or will be a reporting issuer under the securities legislation of each Jurisdiction.
5. The Target Index for the Fund is disclosed in it’s investment objective in the Prospectus. Natcan is using a full replication strategy in which the Fund will generally hold the same investments and in the same proportion as the Target Index.
6. The number of securities comprising the Target Index in which the Fund actually invests from time to time will vary depending upon the size and value

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of the assets of the Fund and the composition of the Target Index. The Fund will therefore be periodically rebalanced to reflect the Target Index as closely as possible.

7. The portfolio of the Fund is not actively managed, and is comprised of securities comprising, or derivatives giving exposure to, the Target Index. All purchases and sales of the portfolio of the Fund will be determined by the composition of the Target Index and the weighting of its constituent securities.
8. The securities which comprise the Target Index include NBC Securities. In order to track the Target Index, the Fund will have to hold NBC Securities and may need to acquire additional NBC Securities in the future.
9. Through inadvertence, the Fund has held NBC Securities since it's inception in the same proportion as the Target Index. The Fund currently holds NBC Securities representing 1.28% of the assets of the Fund.
10. The deviation from the Applicable Restrictions will not be the result of any active decision of Natcan to increase the investment of the Fund in NBC Securities, but rather it would be an indirect consequence of carrying out the investment objective of the Fund, to match the performance of the Target Index.
11. Natcan will ensure that the Fund does not invest in NBC Securities in a proportion larger than that reflected in the Target Index.
12. There may be directors and/or officer of Natcan and its affiliates that are also directors and/or officers of NBC and its affiliates.
13. The investments of the Fund in the Target Index represents the business judgement of responsible persons uninfluenced by considerations other than the best interests of the Fund.

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 effective as of the date of this Decision, the Applicable Restrictions do not apply to the investment or the holding of an investment by the Fund in NBC Securities;

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PROVIDED THAT the portion of the Fund's assets invested in NBC Securities is determined in accordance with the Fund's investment objective of tracking the performance of the Target Index and not pursuant to the discretion of NBSI or Natcan.

DATED March 25, 2003.

Paul M. Moore

Robert W. Korthals