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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted to mutual funds from the requirement to deliver their annual financial statements to their direct security holders who are clients of the mutual funds' manager and who indicate they do not want to receive copies, subject to certain conditions

Applicable British Columbia Provisions

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

Securities Rules, B.C. Reg. 194/97, s. 149

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

AND

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

AND

IN THE MATTER OF

**SCOTIA T-BILL FUND, SCOTIA PREMIUM T-BILL FUND, SCOTIA
MONEY MARKET FUND, SCOTIA CANAM U.S. \$ MONEY MARKET
FUND, SCOTIA CANADIAN BOND INDEX FUND, SCOTIA MORTGAGE
INCOME FUND, SCOTIA CANADIAN INCOME FUND, SCOTIA
CANAM U.S. \$ INCOME FUND, SCOTIA CANGLOBAL INCOME FUND,
SCOTIA CANADIAN BALANCED FUND, SCOTIA TOTAL RETURN
FUND, SCOTIA CANADIAN STOCK INDEX FUND, SCOTIA CANADIAN
DIVIDEND FUND, SCOTIA CANADIAN BLUE CHIP FUND, SCOTIA
CANADIAN GROWTH FUND, SCOTIA CANADIAN SMALL CAP FUND,
SCOTIA RESOURCE FUND, SCOTIA AMERICAN STOCK INDEX
FUND, SCOTIA AMERICAN GROWTH FUND, SCOTIA CANAM
STOCK INDEX FUND, SCOTIA NASDAQ INDEX FUND, SCOTIA
YOUNG INVESTORS FUND, SCOTIA INTERNATIONAL STOCK
INDEX FUND, SCOTIA GLOBAL GROWTH FUND, SCOTIA
EUROPEAN GROWTH FUND, SCOTIA PACIFIC RIM GROWTH FUND,
SCOTIA LATIN AMERICAN GROWTH FUND, CAPITAL U.S. LARGE
COMPANIES FUND, CAPITAL U.S. LARGE COMPANIES RSP FUND,
CAPITAL U.S. SMALL COMPANIES FUND, CAPITAL U.S. SMALL
COMPANIES RSP FUND, CAPITAL INTERNATIONAL LARGE**

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COMPANIES FUND, CAPITAL INTERNATIONAL LARGE COMPANIES RSP FUND, CAPITAL GLOBAL DISCOVERY FUND, CAPITAL GLOBAL DISCOVERY RSP FUND, CAPITAL GLOBAL SMALL COMPANIES FUND, CAPITAL GLOBAL SMALL COMPANIES RSP FUND

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the “Decision Maker”) in each of the Provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia, Newfoundland and Labrador, (the “Jurisdictions”) has received an application (the “Application”) from Scotia Securities Inc. (the “Manager”), Scotia T-Bill Fund, Scotia Premium T-Bill Fund, Scotia Money Market Fund, Scotia CanAm U.S. \$ Money Market Fund, Scotia Canadian Bond Index Fund, Scotia Mortgage Income Fund, Scotia Canadian Income Fund, Scotia CanAm U.S. \$ Income Fund, Scotia CanGlobal Income Fund, Scotia Canadian Balanced Fund, Scotia Total Return Fund, Scotia Canadian Stock Index Fund, Scotia Canadian Dividend Fund, Scotia Canadian Blue Chip Fund, Scotia Canadian Growth Fund, Scotia Canadian Small Cap Fund, Scotia Resource Fund, Scotia American Stock Index Fund, Scotia American Growth Fund, Scotia CanAm Stock Index Fund, Scotia Nasdaq Index Fund, Scotia Young Investors Fund, Scotia International Stock Index Fund, Scotia Global Growth Fund, Scotia European Growth Fund, Scotia Pacific Rim Growth Fund, Scotia Latin American Growth Fund, Capital U.S. Large Companies Fund, Capital U.S. Large Companies RSP Fund, Capital U.S. Small Companies Fund, Capital U.S. Small Companies RSP Fund, Capital International Large Companies Fund, Capital International Large Companies RSP Fund, Capital Global Discovery Fund, Capital Global Discovery RSP Fund, Capital Global Small Companies Fund and Capital Global Small Companies RSP Fund (collectively, the “Funds”) for a decision pursuant to the securities legislation of certain of the Jurisdictions (the “Legislation”) for relief from the requirement to deliver comparative annual financial statements of the Funds to certain securityholders of the Funds unless they have requested to receive them;

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;

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AND WHEREAS it has been represented by the Manager to the Decision Makers that:

- (a) The Funds are open-ended mutual fund trusts established under the laws of Ontario.
- (b) The Manager is a corporation incorporated under the laws of Ontario. The Manager is the trustee and manager of the Funds. The Manager is registered as a mutual fund dealer in all jurisdictions of Canada.
- (c) The Funds are reporting issuers in each of the Participating Jurisdictions and are not in default of any requirements of the Legislation.
- (d) Class A and F units of the Funds are presently offered for sale on a continuous basis in each province and territory of Canada pursuant to a simplified prospectus dated December 3, 2001, as amended. Private Client Units of certain of the Funds are presently offered for sale on a continuous basis in each province and territory of Canada pursuant to a separate simplified prospectus dated December 3, 2001.
- (e) Each of the Funds is required to deliver annually, within 140 days of its financial year-end, to each holder of its securities ("Securityholders"), comparative financial statements in the prescribed form pursuant to the Legislation. Pursuant to the Legislation the financial statements of the Top Funds are to include financial statements of the Underlying Funds. The Top Funds satisfy this requirement by the sending of the financial statements of the Underlying Funds with the financial statements of the Top Funds.
- (f) The Manager proposes to send to Securityholders who hold securities of the Funds in client name where the Manager is the dealer (the "Direct Securityholders"), together with their year end account statement, a notice advising them that they will not receive the annual financial statements of the Funds for the year then ended unless they request same, and providing them with a request form to send back, by fax or prepaid mail, if they wish to receive the annual financial statements. The notice will advise the Direct Securityholders that the annual financial statements of the Funds may be found on the websites referred to in clause (h) and downloaded. The Manager would send such financial statements to any Direct Securityholder who requests them in response to such notice or who subsequently requests them by request on a toll-free number or at a branch of The Bank of Nova Scotia.
- (g) Securityholders who hold their securities in the Funds through a nominee will be dealt with pursuant to National Instrument 54-101. Securityholders who

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hold their securities in the Funds in client name where the Manager is not the dealer will be sent the annual financial statements of the Funds in accordance with the Legislation.

- (h) Securityholders will be able to access annual financial statements of the Funds either on the SEDAR website or on the Scotiabank website: www.scotiabank.com. As disclosed in the simplified prospectuses of the funds, the top ten holdings will also be accessible via a toll-free phone line and the Scotiabank website, which are updated monthly.
- (i) There would be substantial cost savings if the Funds are not required to print and mail annual financial statements to those Direct Securityholders who do not want them.
- (j) The Canadian Securities Administrators have published for comment proposed National Instrument 81-106 which, among other things, would permit mutual funds not to deliver annual financial statements to those of its securityholders who do not request them, if the Funds provide each securityholder with a request form under which the securityholder may request, at no cost to the securityholder, to receive the mutual fund's annual financial statements for that financial year.
- (k) Proposed National Instrument 81-106 would also require a mutual fund to have a toll-free telephone number for, or accept collect calls from, persons or companies that want to receive a copy of, among other things, the annual financial statements of the mutual fund.

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

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;

AND WHEREAS the Decision Makers are satisfied that making the Decision will not adversely affect the rule-making process with respect to proposed National Instrument 81-106 and is consistent with National Instrument 54-101;

The Decision of the Decision Makers pursuant to the Legislation is that:

1. (i) the Funds; and

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- (ii) mutual funds created subsequent to the date hereof that are offered by way of simplified prospectus and managed by the Manager,

shall not be required to deliver their comparative annual financial statements for the year ending December 31, 2002 to their Direct Securityholders other than those Direct Securityholders who have requested to receive them provided that:

- (a) the Manager shall file on Sedar, under the annual financial statements category, confirmation of mailing of the request forms that have been sent to the Direct Securityholders as described in clause (f) of the representations within 90 days of mailing the request forms;
- (b) the Manager shall file on Sedar, under the annual financial statements category, information regarding the number and percentage of requests for annual financial statements made by the return of the request forms, on a province-by-province basis within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing;
- (c) the Manager shall record the number and a summary of complaints received from Direct Securityholders about not receiving the annual financial statements and shall file on Sedar, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing;
- (d) the Manager shall, if possible, measure the number of "hits" on the annual financial statements of the Funds on the www.scotiabank.com website and shall file on Sedar, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing; and
- (e) the Manager shall file on Sedar, under the annual financial statements category, estimates of the cost savings resulting from the granting of this Decision within 90 days of mailing the request forms.

DATED December 5, 2002.

Howard I. Wetston

Harold P. Hands