

2008 BCSECCOM 101

January 18, 2008

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 81-107, s. 7.1 - An investment fund wants an exemption from the requirements of section 6.1(4) to the extent it requires inter-fund trades to be executed at the “closing sale price” - The filer will comply with all requirements of section 6.1(2) except for the condition that inter-fund trades be conducted at the “closing sale price”; all of the inter-fund trades will be conducted at the “last sale price” determined using the Universal Market Integrity Rules (UMIR)

Applicable British Columbia Provisions

National Instrument 81-107, ss. 6.1(2), 6.1(4) and 7.1

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec,
New Brunswick, Nova Scotia, Newfoundland and Labrador,
Northwest Territories, Yukon and Nunavut
(the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications
(MRRS)

and

RBC Asset Management Inc.
(the Applicant)

and

In the Matter of the Mutual Funds
Listed in Schedule A (the Existing Funds)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (Decision Maker) in each of the Jurisdictions received an application (the Application) from the Applicant and any mutual funds subject to National Instrument 81-102 – Mutual Funds (NI 81-

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102) that may be established in the future for which the Applicant or an affiliate of the Applicant acts as portfolio advisor and/or manager (the Future Funds and together with the Existing Funds, the Funds) for a decision exempting the Applicant or an affiliate of the Applicant and the Funds from sub-section 6.1(4) of National Instrument 81-107 – Independent Review Committee for Investment Funds (NI 81-107) to the extent that it requires a purchase or sale of an exchange traded security between the Funds (an Inter-fund Trade) to comply with paragraph 6.1(2)(e) of NI 81-107 (the Requested Relief).

Under the MRRS

- (i) the principal regulator for the Application is the Ontario Securities Commission (the OSC); and
- (ii) this Decision Document represents the decision of each of the Decision Makers.

Interpretation

Defined terms contained in National Instrument 14-101 – Definitions (NI 14-101), NI 81-102 and NI 81-107 have the same meaning in this Decision Document unless they are otherwise defined in this Decision Document.

Representations

This decision is based on the following facts represented by the Applicant:

1. The Applicant is a corporation governed by the *Canada Business Corporations Act*. The Applicant is registered as an investment counsel and portfolio manager, or the equivalent, in each of the Jurisdictions and as a limited market dealer in Ontario and Newfoundland and Labrador. The head office of the Applicant is in Ontario.
2. Each of the Funds is, or will be, a reporting issuer in each of the Jurisdictions.
3. Each Existing Fund has and each Future Fund will have, an independent review committee (the Board of Governors) as required by NI 81-107.
4. The Applicant will, in accordance with section 6.1 of NI 81-107, establish policies and procedures (the Policies and Procedures) to enable the Funds to engage in Inter-fund Trades.
5. The Board of Governors will approve the Policies and Procedures.

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6. Sub-section 6.1(4) of NI 81-107 provides an exemption from the inter-fund self-dealing investment prohibitions so long as the trades comply with the conditions in sub-section 6.1(2). These conditions include paragraph 6.1(2)(e) that the transaction must occur at the “current market price of the security”. The Inter-fund Trades will comply with all of the conditions in sub-section 6.1(2) except paragraph 6.1(2)(e).
7. The Applicant considers that it would be in the best interests of a Fund if an Inter-fund Trade could be made at the last sale price, as defined in the Universal Market Integrity Rules (UMIR) created by Market Regulation Services Inc. (the Last Sale Price), prior to the execution of the trade since this will result in the trade being done at the price which is closest to the price at the time the decision to make the trade is made.
8. CSA Staff Notice 81-317 – Frequently Asked Questions on National Instrument 81-107 Independent Review Committee for Investment Funds (Notice 81-317) was published on March 30, 2007. Section B-7 of Notice 81-317 provides that the CSA would consider applications for exemptive relief to permit inter-fund trades of exchange traded securities at last sale price upon appropriate terms and conditions.
9. An Inter-Fund Trade will be implemented by the Applicant on behalf of the Funds as follows:
 - (i) the portfolio manager will deliver the trade instruction in respect of a purchase or a sale of a security by a Fund (Fund A) to a trader on the Applicant’s trading desk;
 - (ii) the portfolio manager will deliver the trade instruction in respect of a sale or purchase of a security by a Fund (Fund B) to a trader on the Applicant’s trading desk;
 - (iii) the trader on the Applicant’s trading desk will have the discretion to execute the trade as an inter-fund trade between Fund A and Fund B at the Last Sale Price of the security, prior to the execution of the trade;
 - (iv) the policies applicable to the Applicant’s trading desk will require that all orders are to be executed on a timely basis and will remain open only for 30 days unless the portfolio manager cancels the order sooner; and

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- (v) the trader on the Applicant's trading desk will advise the portfolio manager of Fund A and Fund B of the Last Sale Price.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the decision has been met.

The decision of the Decision Makers is that the Requested Relief is granted so long as the Applicant or an affiliate of the Applicant:

1. complies with all of the conditions of sub-section 6.1(2) of NI 81-107 in connection with the Inter-fund Trades except paragraph 6.1(2)(e); and
2. the Inter-fund Trades are executed at the Last Sale Price of the security.

Vera Nunes – Assistant Manager
Investment Funds
Ontario Securities Commission

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SCHEDULE A

APPLICANT FUNDS

RBC Canadian T Bill Fund	RBC International Equity Fund
RBC Canadian Money Market Fund	RBC International Index Currency Neutral Fund
RBC Premium Money Market Fund	RBC O'Shaughnessy International Equity Fund
RBC \$U.S. Money Market Fund	RBC European Equity Fund
RBC Canadian Short-Term Income Fund	RBC Asian Equity Fund
RBC Bond Fund	RBC Global Titans Fund
RBC Canadian Bond Index Fund	RBC O'Shaughnessy Global Equity Fund
RBC Monthly Income Fund	RBC Global Energy Fund
RBC \$U.S. Income Fund	RBC Global Precious Metals Fund
RBC Global Bond Fund	RBC Global Consumer and Financials Fund
RBC Global Corporate Bond Fund	RBC Global Health Sciences Fund
RBC Advisor Canadian Bond Fund	RBC Global Resources Fund
RBC Global High Yield Fund	RBC Global Technology Fund
RBC Cash Flow Portfolio	RBC DS North American Focus Fund
RBC Enhanced Cash Flow Portfolio	RBC DS Canadian Focus Fund
RBC Balanced Fund	RBC DS International Focus Fund
RBC Tax Managed Return Fund	RBC DS Balanced Global Portfolio
RBC Balanced Growth Fund	RBC DS Growth Global Portfolio
RBC Select Conservative Portfolio	RBC DS All Equity Global Portfolio
RBC Select Balanced Portfolio	RBC Private Short-Term Income Pool
RBC Select Growth Portfolio	RBC Private Canadian Bond Pool
RBC Select Aggressive Growth Portfolio	RBC Private Corporate Bond Pool
RBC Select Choices Conservative Portfolio	RBC Private Income Pool
RBC Select Choices Balanced Portfolio	RBC Private Global Bond Pool
RBC Select Choices Growth Portfolio	RBC Private Canadian Dividend Pool
RBC Select Choices Aggressive Growth Portfolio	RBC Private Canadian Growth and Income Equity Pool
RBC Target 2010 Education Fund	RBC Private Canadian Equity Pool
RBC Target 2015 Education Fund	RBC Private Canadian Value Equity Pool
RBC Target 2020 Education Fund	RBC Private O'Shaughnessy Canadian Equity Pool
RBC Canadian Dividend Fund	RBC Private Core Canadian Equity Pool
RBC Canadian Equity Fund	RBC Private Canadian Mid Cap Equity Pool
RBC Canadian Index Fund	RBC Private U.S. Equity Pool
RBC O'Shaughnessy Canadian Equity Fund	RBC Private U.S. Value Equity Pool
RBC O'Shaughnessy All-Canadian Equity Fund	RBC Private O'Shaughnessy U.S. Value Equity Pool
RBC Canadian Diversified Income Trust Fund	RBC Private U.S. Growth Equity Pool
RBC North American Dividend Fund	RBC Private O'Shaughnessy U.S. Growth Equity Pool
RBC North American Value Fund	RBC Private U.S. Mid Cap Equity Pool
RBC North American Growth Fund	RBC Private U.S. Small Cap Equity Pool
RBC U.S. Equity Fund	
RBC U.S. Equity Currency Neutral Fund	
RBC U.S. Index Fund	

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RBC U.S. Index Currency Neutral Fund
RBC O'Shaughnessy U.S. Value Fund
RBC U.S. Mid-Cap Equity Fund
RBC U.S. Mid-Cap Equity Currency Neutral Fund
RBC O'Shaughnessy U.S. Growth Fund
RBC Life Science and Technology Fund

RBC Private International Equity Pool
RBC Private EAFE Equity Pool
RBC Private European Equity Pool
RBC Private Asian Equity Pool
RBC Private Global Titans Equity Pool
RBC Private World Equity Pool