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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted from certain self-dealing restrictions in Part 15 of the Act - a mutual fund(s) wants relief from s. 121(2)(a) of the Act so that it can make or hold an investment in a person or company which is a substantial security holder of the mutual fund – a portfolio manager, mutual fund or “responsible person” wants relief from s. 127(1)(a) of the Act so that it can invest in an issuer which has a “responsible person” as an officer or director of the issuer - an independent review committee will review the mutual fund’s purchases, sales, and continued holdings of securities of the issuers, and will determine whether the investments are in the best interests of the investors of the mutual funds

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 121(2)(a), 123, 127(1)(a), and 130

**IN THE MATTER OF THE SECURITIES
LEGISLATION OF QUEBEC, ONTARIO, BRITISH COLUMBIA,
ALBERTA
SASKATCHEWAN, 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
NATIONAL BANK SECURITIES INC. (“NBSI”)
ALTAMIRA INVESTMENT SERVICES INC. (“AISF”)
NATCAN INVESTMENT MANAGEMENT INC. (“NATCAN”)
AND THE FUNDS LISTED IN SCHEDULE A (“FUNDS”)**

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the “Decision Maker”) in each of the province of Quebec, British Columbia, Alberta, Saskatchewan, Ontario, Newfoundland and Labrador and Nova Scotia (the “Jurisdictions”) has received an application (the “Application”) from National Bank Securities Inc. (“NBSI”), Altamira Investment Services Inc. (“AISF”) and

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Natcan Investment Management Inc. (“Natcan”) in their own capacity and on behalf of the mutual funds they manage and listed in Schedule A (the “Current Funds”) as well as such other funds as NBSI, AISI and Natcan may establish or advise from time to time (the “Future Funds”) (the Current Funds and Future Funds being hereinafter referred to individually as a “Fund” and collectively as the “Funds”) for a decision (the “Decision”) pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the following prohibitions under the Legislation do not apply so as to prevent the funds from investing in, or continuing to hold investment in, common shares of National Bank of Canada (“NBC”) :

- (a) the provision prohibiting the portfolio manager to make any transactions on behalf of a customer where his own interest might distort his judgment; and
- (b) the provision prohibiting the portfolio manager to subscribe or buy, on behalf of a client, securities he or an affiliate owns or securities issued by a company having as senior executive, a senior executive or a representative of the dealer or the adviser unless he obtains the consent of the client after having informed him of the fact (the provisions a) and b) being, collectively, the “Investment Restrictions”).

For the Non-Principal Jurisdictions, please find hereinafter the corresponding provisions in the Legislation :

- (a) The provision prohibiting a mutual fund from knowingly making or holding an investment in any person or company which is a substantial securityholder of the mutual fund, its management company or distribution company (the “Substantial Securityholder Restriction”); and
- (b) The provision prohibiting a portfolio manager (or in the case of the Securities Act (British Columbia), the mutual fund or responsible person) from knowingly causing any portfolio managed by it to invest in any issuer in which a responsible person or an associate of a responsible person is an officer or director unless the specific fact is disclosed to the client and the written consent of the client to the investment is obtained before the purchase (the Substantial Securityholder Restriction and the provisions of (b), collectively, the “Investment Restrictions”).

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Agence nationale d’encadrement du secteur financier (the “AMF”) has been selected as the principal regulator in respect of this application;

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AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Quebec Commission Notice 14-101;

AND WHEREAS it has been represented by NBSI, AISI and Natcan to the Decision Makers that :

1. Each of the National Bank Mutual Funds and Altamira Funds (hereinafter referred to as the “Public Funds”) listed on Schedule A is or will be a mutual fund within the meaning of the Legislation that is a reporting issuer subject to National Instrument 81-102 and that is not in default under the Legislation.
2. Each of the Public Funds is an open-ended mutual fund trust established, or mutual fund corporation, incorporated, respectively under the laws of the Province of Ontario and federal law.
3. Each of the Funds listed on Schedule A as Natcan Pooled Funds is an open-ended mutual fund trust established under the laws of the Province of Quebec and is not a mutual fund in Ontario under the Ontario Securities Act.
4. Each of the Funds listed on Schedule A as Altamira Pooled Funds (with the Natcan Pooled Funds hereinafter referred to as the “Pooled Funds”) is an open-ended mutual fund trust established under the laws of the Province of Ontario and is a mutual fund in Ontario under the Ontario Securities Act.
5. Other than the provinces of Quebec, British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia, securities of the National Bank Mutual Funds currently in existence are also offered in New Brunswick, Prince Edward Island and Manitoba.
6. Securities of the Altamira Funds are offered in all provinces and territories of Canada.
7. Securities of the Pooled Funds are offered in all provinces and territories of Canada. Since the Pooled Funds are not reporting issuers in all Jurisdictions, relief from certain of the Investment Restrictions is not required in all Jurisdictions.
8. NBSI, AISI or Natcan act, or will in the future act, as manager of the Funds for purposes of the Legislation.

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9. Each of NBSI, AISI and Natcan is a direct or indirect subsidiary of National Bank of Canada (“NBC”) and, as a result, NBC is a substantial securityholder of each of NBSI, AISI and Natcan.
10. If NBC owned more than 20% of the voting securities of a Fund arising from hedging its position under RSP clone fund arrangements, thus becoming a substantial securityholder, the Fund would be prohibited by the Substantial Securityholder Restriction from investing in common shares of NBC.
11. NBC is a bank listed in Schedule 1 to the Bank Act (Canada). The common shares of NBC are listed on the Toronto Stock Exchange.
12. Certain senior executive of NBC are or may also be senior executive or a representative of NBSI, AISI and Natcan.
13. Certain directors and/or officers of NBSI, AISI and Natcan who are responsible person in respect of the Funds are or may also be directors and/or officers of NBC.
14. NBSI, AISI and Natcan are prohibited by the Investment Restrictions from causing the investment portfolios of the Funds to invest in common shares of NBC because :
 - (a) NBC is a substantial securityholder of the management company and/or distribution company of the Public Funds; and
 - (b) NBC may be a substantial securityholder of certain Funds (under RSP clone funds arrangements); and
 - (c) Certain directors and/or officers of NBSI, AISI and Natcan are or may be directors and/or officers of NBC (for the Public Funds and the Pool Funds).
15. NBSI, AISI and Natcan have agreed that, before a Fund for which it acts as manager makes an investment in common shares of NBC, it will appoint an independent committee (the “Independent Committee”) to review the Funds’ purchases, sales and continued holding of common shares of NBC to ensure that they have been made free from any influence by NBC and without taking into account any consideration relevant to NBC or any associate or affiliate of NBC.

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16. In reviewing the Funds' purchases, sales and continued holdings of common shares of NBC, such Independent Committee will take into consideration the best interest of securityholders of the Funds and no other factors.
17. The compensation to be paid to members of the Independent Committee will be paid on a per meeting plus expenses basis and will be allocated among the appropriate Funds in a manner that is considered by such Independent Committee to be fair and reasonable to the Funds.
18. Within thirty days of the end of each month in which Natcan, acting as portfolio manager for the Funds, purchases or sells common shares of NBC on behalf of one or more Funds, the portfolio manager shall file the report on SEDAR contemplated by paragraph (1) below disclosing the name of each Funds that purchased or sold common shares of NBC during the month, the date of each purchase, the number or amount of NBC common shares purchased or sold by each Fund and the volume weighted average price paid or received for the NBC common shares by each Fund. Such report should be filed for each Fund and the report should show the trades of all Funds.
19. None of the Funds shall make an investment in the common shares of NBC during, or for 60 days after, the period any underwriter distributes these common shares.

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 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. Each of NBSI, AISI and Natcan and the Funds are exempt from the Investment Restrictions so as to enable the Funds to invest, or continue to hold an investment in, common shares of NBC; and
2. This 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 :

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- (a) Before a Fund for which it acts as manager makes an investment in common shares of NBC, NBSI, AISI and Natcan, as appropriate, has appointed an Independent Committee to review the Funds' purchases, sales and continued holdings of common shares of NBC;
- (b) The Independent Committee will have at least three members and every member must be independent. A member of the Independent Committee is not independent if the member has a direct or indirect material relationship with the manager of the Fund, the Fund, or an entity related to the manager of the Fund. A material relationship is any relationship that a reasonable person would consider might interfere with the exercise of the member's independent judgement regarding conflicts of interest facing the manager;
- (c) Such Independent Committee will have a written mandate describing its duties and standard of care which, at a minimum, sets out the conditions in this Decision. The Committee acting collectively or by each member individually will represent that they are qualified to fulfill appropriately their role under this Decision;
- (d) The members of such Independent Committee will act honestly and in good faith in the best interests of the Funds and the securityholders of the Funds and in connection with that duty will exercise degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- (e) The members of the Independent Committee may be indemnified by the Funds, except in cases of wilful misconduct, bad faith, or breach of its standard of care, as set in paragraph (d) above.;
- (f) The members of the Independent Committee may be indemnified by the Funds for legal fees, judgments and amounts paid in settlement except in cases of wilful misconduct, bad faith, or breach of its standard of care, as set in paragraph (d) above;
- (g) None of the Funds incurs the costs of any portion of liability insurance that insures a member of an Independent Committee for a liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph (d);
- (h) The cost of any indemnification or insurance coverage paid for by NBSI, AISI and Natcan, any portfolio manager of the Funds, or any associate or affiliate of NBSI, AISI and Natcan or portfolio manager of the Funds to

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indemnify or insure the members of an Independent Committee in respect of a loss that arises out of a failure to satisfy the standard of care set out in paragraph (d) is not paid either directly or indirectly by the Funds;

- (i) Such Independent Committee considers whether to pre-authorize the Funds' planned transactions and programs of trading related to common shares of NBC. The Independent Committee also reviews past purchases, sales and continued holdings of common shares of NBC regularly, but not less frequently than quarterly or such shorter period as the Independent Committee may require;
- (j) Such Independent Committee forms the opinion after reasonable inquiry including, where useful or necessary, reliance on other professionals' opinion, that the transactions made or planned to be made on behalf of each Fund by the Funds manager or portfolio manager to purchase, sell or continue to hold common shares of NBC were, and continue to be, in the best interests of the Fund and:
 - (i) represent the business judgement of the Fund's manager or portfolio manager, uninfluenced by considerations other than the best interests of the Fund; and
 - (ii) have been made free from any influence by NBC and without taking into account any consideration relevant to NBC or any associate or affiliate of NBC;
 - (iii) that it did not find any indication that transactions on NBC shares were part of operations attempting to maintain or move the market price of the stock or were related to another form of misconduct; and
 - (iv) do not exceed the limitations of the applicable legislation;
- (k) The determination made by an Independent Committee pursuant to paragraph (j) above is included in detailed written minutes provided to the Fund's manager not less frequently than quarterly;
- (l) In respect of the relevant Fund, within 30 days of the end of each month in which Natcan purchases or sells common shares of NBC on behalf of one or more Funds, the portfolio manager will file on SEDAR reports disclosing (i) the name of each Funds that purchased or sold common shares of NBC during the month, (ii) the date of each purchase, (iii) the

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number or amount of NBC common shares purchased or sold by each Fund and (iv) the volume weighted average price paid or received for the NBC common shares by each Fund, and (v) whether the trades were approved by the Independent Committee and, where such approval had been withheld, why the trades were completed in spite of such disapproval. Such report should be filed for each Fund and the report should show the trades of all Funds;

Such report should also contain a certification from the portfolio manager that (i) the trades represented the business judgement of the dealer manager uninfluenced by considerations other than the best interest of the Funds and were in fact, in the best interests of the Funds; (ii) the trades were made free from any influence by NBC or any affiliate or associate thereof and without taking any consideration relevant to NBC or any associate or affiliate thereof; (iii) the trades were not part of a series of transactions aiming to support or otherwise influence the price of the shares of NBC or related to another form of misconduct;

- (m) The Independent Committee shall advise the Decision Makers in writing of :
 - (i) any determination by it that condition (j) has not been satisfied with respect to any purchase, sale or holding of common shares of NBC;
 - (ii) any determination by it that any other condition of this Decision has not been satisfied;
 - (iii) any action it has taken or purposes to take following the determinations referred to above;
 - (iv) any action taken, or proposed to be taken, by the manager of a Fund in response to the determinations referred above; and
 - (v) its determination, on an annual basis, that all purchases, sales or holdings of common shares of NBC, other than those situations previously reported to the Decision Makers further to determinations referred to above, have satisfied condition (j).
- (n) The manager must disclose in a Fund's simplified prospectus, if applicable, and in a Fund's periodic continuous disclosure reports any report of the Independent Committee that it directs the manager to

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incorporate into the simplified prospectus or periodic continuous disclosure reports of the Fund; and

- (o) the existence, purpose, duties and obligations of the Independent Committee, the names of its members, whether and how they are compensated by the Funds, the relationship between parties related to the Fund and NBC (including percentage of ownership) and the fact that the Independent Committee meets the requirements of the condition set out in paragraph (b) are disclosed with respect to the Pooled Funds, in a statement sent to clients and on the internet website maintained in respect of the Pooled Funds, and in respect of the Public Funds:
 - (i) in a press release issued, and a material change report filed prior to reliance on the Decision;
 - (ii) in item 12 of Part A of the simplified prospectus of the Public Funds; and
 - (iii) on the internet website maintained in respect of the Public Funds.

DATED this 4th day of May, 2004

Executive Director, Distribution,

Nancy Chamberland, Notary

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SCHEDULE A

FUNDS

Public Funds

National Bank Securities Inc. (National Bank Mutual Funds Securities of the Investor Series)

Money Market Funds

National Bank Money Market Fund (1)

National Bank Treasury Bill Plus Fund

National Bank U.S. Money Market Fund

Institutional Funds

National Bank Corporate Cash Management Fund

National Bank Treasury Management Fund

Income Funds

National Bank Mortgage Fund (1)

National Bank Bond Fund (1-3)

National Bank Dividend Fund (1)

National Bank Global RSP Bond Fund (1)

National Bank High Yield Bond Fund (1-3)

National Bank Monthly Income Fund (1)

Diversified Funds

National Bank Retirement Balanced Fund (3)

National Bank Secure Diversified Fund

National Bank Conservative Diversified Fund

National Bank Moderate Diversified Fund

National Bank Balanced Diversified Fund

National Bank Growth Diversified Fund

Canadian Growth Funds

National Bank Canadian Equity Fund (1-3)

National Bank Canadian Opportunities Fund (1-2-3)

National Bank Canadian Index Fund

National Bank Canadian Index Plus Fund

National Bank Small Capitalization Fund (1)

International Growth Funds

National Bank Global Equity Fund (1)

National Bank Global Equity RSP Fund (1)

National Bank International RSP Index Fund

National Bank American RSP Index Fund

National Bank American Index Plus Fund

National Bank European Equity Fund (1)

National Bank European Small Capitalization Fund (1)

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National Bank Asia-Pacific Fund (1)
National Bank Emerging Markets Fund (1)
Specialized Funds
National Bank Quebec Growth Fund (1)
National Bank Natural Resources Fund (1)
National Bank Future Economy Fund (1)
National Bank Future Economy RSP Fund (1)
National Bank Future Global Technologies Fund (1)
National Bank Future Global Technologies RSP Fund (1)
National Bank Strategic Yield Class (1-2-4*)
National Bank/Fidelity Funds
Bank/Fidelity Canadian Asset Allocation Fund
National Bank/Fidelity Global Asset Allocation Fund
National Bank/Fidelity True North Fund
National Bank/Fidelity International Portfolio Fund
National Bank/Fidelity Growth America Fund
National Bank/Fidelity Focus Financial Services Fund
Protected Funds
National Bank Protected Canadian Bond Fund
National Bank Protected Retirement Balanced Fund
National Bank Protected Growth Balanced Fund
National Bank Protected Canadian Equity Fund
National Bank Protected Global RSP Fund

- (1) Securities of the Advisor Series also offered.
- (2) Securities of the Institutional Series also offered.
- (3) Securities of the O Series also offered.
- (4) Securities of the M Series also offered.

* Offered by National Bank Funds Corporation

Altamira Investment Services Inc. (Altamira Funds)
Money Market Fund
Altamira T-Bill Fund
Income Funds
Altamira Income Fund
Altamira Bond Fund
Altamira High Yield Bond Fund
Altamira Short Term Canadian Income Fund
Altamira Short Term Government Bond Fund
Altamira Global Bond Fund
Altamira Short Term Global Income Fund
Growth and Income Funds

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Altamira Balanced Fund
Altamira Dividend Fund Inc.
Altamira Growth & Income Fund
Altamira Global Diversified Fund
Altamira RSP Global Diversified Fund
Growth Funds
Altamira Canadian Value Fund
Altamira Equity Fund
Altafund Investment Corp.
Altamira Capital Growth Fund Ltd
Altamira Special Growth Fund
Altamira European Equity Fund
Altamira Global Value Fund
Altamira US Larger Company Fund
Altamira Asia Pacific Fund
Altamira Japanese Opportunity Fund
Altamira RSP Japanese Opportunity Fund
Altamira Global Discovery Fund
Altamira Global 20 Fund
Altamira Global Small Company Fund
Altamira Select American Fund
Altamira Precision Canadian Index Fund
Altamira Precision DOW 30 Index Fund
Altamira Precision European Index Fund
Altamira Precision European RSP Index Fund
Altamira Precision International RSP Index Fund
Altamira Precision U.S. RSP Index Fund
Altamira Precision U.S. Midcap Index Fund
Altamira Biotechnology Fund
Altamira RSP Biotechnology Fund
Altamira e-business Fund
Altamira RSP e-business Fund
Altamira Global Financial Services Fund
Altamira Global Telecommunications Fund
Altamira Health Sciences Fund
Altamira RSP Health Sciences Fund
Altamira Precious and Strategic Metal Fund
Altamira Resource Fund
Altamira Science & Technology Fund
Altamira RSP Science & Technology Fund

Pooled Funds

Natcan Investment Management Inc. (Natcan Pooled Funds)

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Caisse commune actions américaines Natcan / Natcan U.S. Equity Pooled Fund
Caisse commune actions canadiennes Natcan / Natcan Canadian Equity Pooled Fund
Caisse commune actions de croissance Natcan / Natcan Growth Equity Pooled Fund
Caisse commune marché monétaire canadien Natcan / Natcan Money Market Pooled Fund
Caisse commune obligations à haut rendement Natcan / Natcan High Yield Income Pooled Fund
Caisse commune obligations à haut rendement RER Natcan / Natcan High Yield Income Pooled RSP Fund
Caisse commune obligations canadiennes indicielle-plus Natcan / Natcan Canadian Index Bond Fund
Caisse commune obligations canadiennes Natcan / Natcan Canadian Bond Pooled Fund
Caisse commune obligations corporatives Natcan / Natcan Corporate Income Pooled Fund
Fonds Américain de valeurs fondamentales Natcan / Natcan U.S. Value Fund
Fonds Américain Harmonie Natcan / Natcan American Harmony Fund
Fonds Américain Natcan / Natcan U.S. Fund
Fonds Natcan États-Unis / Natcan U.S. Fund
Fonds Natcan Europac 20 / Natcan International Fund
Fonds Natcan Europe 15 / Natcan Europe Fund
Fonds Natcan Pacifique 5 / Natcan Pacific Fund
Fonds Natcan de Répartition d'actifs / Natcan Asset Allocation Fund
Natcan Investment Management Inc. (Altamira Pooled Funds)
Altamira Pooled Balanced Fund
Altamira Pooled Bond Fund
Altamira Pooled Canadian Equity Fund
Altamira Pooled EAFE Equity Fund
Altamira Pooled Money Market Fund
Altamira Pooled U.S. Equity Fund