2025 BCSECCOM 418

Headnote
Multilateral Instrument 11-102 *Passport System* and National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* -National Instrument 81-102 *Investment Funds*

National Instrument 41-101, Part 19 - Underwriter's Certificate Relief – Requirement under section 5.9 of NI 41-101 to include an underwriter's certificate in the ETF's prospectus - The designated brokers and authorized dealers do not provide the same services in connection with a distribution of the ETF's securities as would typically be provided by an underwriter in a conventional underwriting, will not be involved in the preparation of the fund prospectus, will not perform any review or independent due diligence as to the content of the fund prospectus, and will not incur any marketing costs or receive any underwriting fees or commissions from the ETFs or the Filer in connection with the distribution of ETF securities

National Instrument 62-104, Part 6 Take-Over Bids -Exemption from the formal take-over bid requirements - Take-over bid relief – NI 62-104 for the purchases of listed securities of the ETFs in the normal course through the facilities of a marketplace in Canada - It is not possible for one of more securityholders to exercise control or direction over the ETF, the number of outstanding ETF Securities will always be in flux as a result of the ongoing issuance and redemption of listed securities by each ETF, and there is no incentive to acquire control or offer to pay a control premium for outstanding ETF Securities because pricing for each ETF Security will generally reflect its net asset value

An issuer wants relief from the investment restrictions contained in subsection 2.1(1) of National Instrument 81-102 Investment Funds prohibiting a mutual fund from investing more than 10% of the net assets of the fund, taken at market value at the time of the transaction, in securities of any one issuer - The investment is in debt securities issued by a corporation or similar entity established by a government of a jurisdiction, the government of Canada, or the government of the United States; the debt securities have a rating from a designated ratings organization that is at least the same as debt securities with a similar term issued by the government that established the entity and is above a stated minimum rating threshold; the filer must take steps to appropriately liquidate the debt securities if it determines that proposed legislation poses a significant risk that the securities' rating falls below the relevant government security's rating

An issuer wants relief from the investment restriction contained in subsection 2.1(1.1) of National Instrument 81-102 Investment Funds prohibiting an alternative mutual fund from investing more than 20% of the net assets of the fund, taken at market value at the time of the transaction, in securities of any one issuer - The investment is in debt securities issued by a corporation or similar entity established by a government of a jurisdiction, the government of Canada, or the government of the United States; the debt securities have a rating from a designated ratings organization that is at least the same as debt securities with a similar term issued by the government that established the entity and is above a stated minimum rating threshold; the filer must take steps to appropriately liquidate the debt securities if it determines that proposed legislation poses a significant risk that the securities' rating falls below the relevant government security's rating

An investment fund wants relief from the restriction in paragraph 2.5(2)(b) of NI 81-102 to permit the fund to purchase or hold securities in another investment fund where the other investment's fund's holdings in investment funds exceeds 10% of the other investment fund's NAV - The relief applies to purchases and holdings by the other investment fund in securities of "money market funds" registered in the United States; the other investment fund and the money market fund must be in compliance with U.S. securities laws, including the money market fund complying with Rule 2a-7 of the U.S. Investment Company Act

A mutual fund seeks relief from the restrictions in 2.5(2)(a) and (c) of NI 81-102 to permit the fund to invest up to its entire net asset value in a U.S ETF - The mutual fund is the Canadian version of the underlying US ETF, the mutual fund is unlikely to achieve the same investment portfolio without investing in the underlying US ETF, the US ETF will comply with key provisions of U.S. securities law and NI 81-102, the portfolio managers for the mutual fund and underlying US ETF will have the appropriate registrations in Canada and the USA

Applicable Legislative Provisions
National Instrument 41-101 *General Prospectus Requirements,* sections 5.9 and 19.1.

National Instrument 62-104 *Take-Over Bids and Issuer Bids*, Part 2 and section 6.1.

National Instrument 81-102 *Investment Funds*, subsections 2.1(1) and 2.1(1.1), paragraphs 2.5(2)(a), 2.5(2)(b) and 2.5(2)(c), and section 19.1.

September 17, 2025

In the Matter of
the Securities Legislation of
British Columbia and Ontario (the Jurisdictions)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
JPMorgan Asset Management (Canada) Inc. (the Filer)

and

In the Matter of
The funds
(as defined below)

Decision

Background

¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions has received an application from the Filer on behalf of JPMorgan US Bond Active ETF and a currency-hedged version thereof (together, Canadian JBND), JPMorgan US Core Plus Bond Active ETF and a currency-hedged version thereof (together, Canadian JCPB), JPMorgan US Income Active ETF and a currency-hedged version thereof (together, Canadian JPIE) and JPMorgan USD Ultra-Short Income Active ETF and a currency-hedged version thereof (together, Canadian JPST and together with Canadian JBND, Canadian JCPB, and Canadian JPIE, the Top Funds), each an exchange-traded mutual fund (ETF) subject to National Instrument 81-102 *Investment Funds* (NI 81-102) and such other ETFs as the Filer (for all purposes herein, Filer also shall include an affiliate or successor of the Filer, unless the context otherwise requires) may manage in the future (together with the Top Funds, the JPM ETFs and individually a JPM ETF) for a decision under the securities legislation of the Jurisdiction of the principal regulator (the Legislation) (I) revoking the relief dated September 11, 2024 (the Prior Relief) previously granted in the matter of JPMorgan Asset Management Canada Inc. (the Revocation) and (II) granting:

(a) an exemption for the Filer and each JPM ETF from the requirement to include a certificate of an underwriter in a JPM ETF's prospectus (the Underwriter's Certificate Requirement);

(b) an exemption for a person or company purchasing JPM ETF securities in the normal course through the facilities of a Marketplace (as defined below) from the Take Over Bid Requirements (as defined below);

(paragraphs (a) and (b) together, the JPM ETF Relief)

(c) an exemption for each JPM ETF that is a mutual fund, other than an alternative mutual fund, from subsection 2.1(1) of NI 81-102 to permit such JPM ETFs to purchase a security of an issuer, enter into a specified derivative transaction or purchase index participation units (each a Purchase) when, immediately after the Purchase, more than 10% of the net asset value (NAV) of the JPM ETF would be invested in debt obligations issued or guaranteed by either the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac);

(d) an exemption for each JPM ETF that is an alternative mutual fund from subsection 2.1(1.1) of NI 81-102, in order to permit such JPM ETFs to make a Purchase when, immediately after the Purchase, more than 20% of the NAV of the JPM ETF would be invested in debt obligations issued or guaranteed by either Fannie Mae or Freddie Mac;

(paragraphs (c) and (d) together, the Fannie Mae and Freddie Mac Relief)

(e) an exemption for the Filer and the JPM ETFs from paragraph 2.5(2)(b) of NI 81-102 to permit the JPM ETFs to purchase and hold shares of one or more U.S. JPM ETFs (as defined below) that may hold more than 10% of its NAV in securities of U.S. Money Market Funds (as defined below);

(paragraph (e), the U.S. Money Market Fund Relief)

(f) an exemption for the Top Funds from subsection 2.1(1) of NI 81-102 to permit the Top Funds to purchase securities of the U.S. Underlying Funds (as defined below) even though, immediately after the transaction, more than 10% of each Top Fund's respective NAV would be invested in securities of the U.S. Underlying Funds;

(g) an exemption for the Top Funds from paragraph 2.5(2)(a) of NI 81-102 to permit the Top Funds to purchase securities of the U.S. Underlying Funds even though they are not subject to NI 81-102; and

(h) an exemption for the Top Funds from paragraph 2.5(2)(c) of NI 81-102 to permit the Top Funds to purchase securities of the U.S. Underlying Funds even though they are not reporting issuers in an Applicable Jurisdiction (as defined below).

(paragraphs (f), (g) and (h), the U.S. Underlying Fund Relief)

(collectively, the Exemption Sought)

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the British Columbia Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in all of the provinces and territories of Canada other than the Jurisdictions (together with the Jurisdictions, the Applicable Jurisdictions); and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulator in Ontario.

Interpretation

¶ 2 Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 and NI 81-102 have the same meaning if used in this decision, unless otherwise defined. The following terms used in this decision have the following meanings:

Affiliate Dealer means a registered dealer that is an affiliate of an Authorized Dealer or Designated Broker and that participates in the re-sale of Creation Units (as defined below) from time to time.

Authorized Dealer means a registered dealer that has entered into an agreement with the manager of a JPM ETF authorizing the dealer to subscribe for, purchase and redeem Creation Units (as defined below) from one or more JPM ETFs on a continuous basis from time to time.

Basket of Securities means, in relation to the JPM ETF securities of a JPM ETF, a group of securities or assets representing the constituents of the JPM ETF.

Designated Broker means a registered dealer that has entered into an agreement with the manager of a JPM ETF to perform certain duties in relation to the JPM ETF, including the posting of a liquid two-way market for the trading of the JPM ETF securities on a Marketplace.

ETF Facts means a prescribed summary disclosure document required in respect of one or more classes or series of Securities being distributed under a prospectus.

Fannie and Freddie Securities means debt obligations issued or guaranteed by either Fannie Mae or Freddie Mac including, without limitation, bonds and mortgage-backed securities and Fannie or Freddie Security means any one such debt obligation.

JBND means JPMorgan Active Bond ETF, a U.S. ETF the securities of which are listed on the NYSE.

JCPB means JPMorgan Core Plus Bond ETF, a U.S. ETF the securities of which are listed on Cboe Global Markets.

JPIE means JPMorgan Income ETF, a U.S. ETF the securities of which are listed on the NYSE Arca.

JPST means JPMorgan Ultra-Short Income ETF, a U.S. ETF the securities of which are listed on the NYSE Arca.

Marketplace means a marketplace as defined in National Instrument 21-101 *Marketplace Operation* that is in Canada.

Minimum Rating means a credit rating of BBB- assigned by S&P Global Ratings Canada or an equivalent rating assigned by one or more other designated rating organizations.

Prescribed Number of JPM ETF Securities means the number of JPM ETF securities determined by the Filer from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

Prospectus Delivery Requirement means the requirement that a dealer, not acting as agent of the purchaser, who receives an order or subscription for a security offered in a distribution to which the prospectus requirement of the Legislation applies, send or deliver to the purchaser or its agent, unless the dealer has previously done so, the latest prospectus and any amendment either before entering into an agreement of purchase and sale resulting from the order or subscription, or not later than midnight on the second business day after entering into that agreement.

Securityholders means beneficial or registered holders of listed securities of a JPM ETF.

Take-Over Bid Requirements means the requirements of NI 62-104 relating to take-over bids, including the requirement to file a report of a take-over bid and to pay the accompanying fee, in each Applicable Jurisdiction.

U.S. JPM ETF means a U.S. domiciled exchange-traded fund managed by JPMIM and includes the U.S. Underlying Funds.

U.S. means the United States of America.

U.S. Government Equivalent Rating means a credit rating assigned by S&P Global Ratings Canada, or an equivalent rating assigned by one or more other designated rating organizations, to a Fannie or Freddie Security that is not less than the credit rating then assigned by such designated rating organization to the debt of the United States government of approximately the same term as the remaining term to maturity of, and denominated in the same currency as, the Fannie or Freddie Security.
U.S. Investment Company Act means the U.S. *Investment Company Act of 1940*, as amended from time to time.

U.S. Underlying Funds means, together, JBND, JCPB, JPIE and JPST and each successor ETF to any of these ETFs.

Representations

¶ 3 This decision is based on the following facts represented by the Filer:

The Filer

1. the Filer is a corporation formed by amalgamation pursuant to a certificate of amalgamation dated August 3, 2004, as amended by a certificate of amendment dated February 24, 2005, under the laws of Canada;

2. the Filer is registered as an investment fund manager under the securities legislation in British Columbia, Newfoundland and Labrador, Ontario and Québec and is also registered as an exempt market dealer and portfolio manager in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec and Saskatchewan, a commodity trading

manager in Ontario and a derivatives portfolio manager in Québec; the head office of the Filer is in British Columbia;

3. the Filer is or will be the manager and portfolio manager of each of the JPM ETFs;

4. the Filer has applied, or will apply, to list the securities of each JPM ETF on a Marketplace; and

5. the Filer is not in default of the securities legislation in any of the Applicable Jurisdictions.

The JPM ETFs

6. each JPM ETF is or will be an exchange-traded fund governed by the laws of a Jurisdiction;

7. each JPM ETF distributes or will distribute its Securities pursuant to a long form prospectus prepared pursuant to National Instrument 41-101 -- *General Prospectus Requirements* (NI 41-101) and Form 41-101F2 -- *Information Required in an Investment Fund Prospectus* and is or will be governed by the applicable provisions of NI 81-102, subject to any exemptions therefrom that may be granted by the securities regulatory authorities;

8. each JPM ETF is or will be a reporting issuer in the Applicable Jurisdictions in which its securities are distributed;

9. each JPM ETF is or will be subject to National Instrument 81-107 Independent Review Committee for Investment Funds (NI 81-107);

10. Securities of each JPM ETF are or will be listed on a Marketplace; and

11. the existing JPM ETFs are not in default of the securities legislation in any of the Applicable Jurisdictions.

A. *JPM ETF Relief*

12. the Filer has filed, or will file, a long form prospectus of each JPM ETF prepared and filed in accordance with NI 41-101, subject to any exemptions that may be granted by the applicable securities regulatory authorities;

13. JPM ETF securities are or will be distributed on a continuous basis in one or more of the Jurisdictions under a prospectus; JPM ETF securities may generally only be subscribed for or purchased directly from the JPM ETF (Creation Units) by Authorized Dealers or Designated Brokers; generally, subscriptions or purchases may only be placed for a Prescribed Number of JPM ETF Securities (or a multiple thereof) on any day when there is a trading session on a Marketplace; Authorized Dealers or Designated Brokers subscribe for Creation Units for the purpose of facilitating investor purchases of JPM ETF securities on a Marketplace;

14. in addition to subscribing for and re-selling Creation Units, Authorized Dealers, Designated Brokers and Affiliate Dealers will also generally be engaged in purchasing and selling JPM ETF securities of the same class or series as the Creation Units in the secondary market; Other Dealers may also be engaged in purchasing and selling JPM ETF securities of the same class or series as the Creation Units in the secondary market despite not being an Authorized Dealer, Designated Broker or Affiliate Dealer;

15. each Designated Broker or Authorized Dealer that subscribes for Creation Units must deliver, in respect of each Prescribed Number of JPM ETF Securities to be issued, a Basket

of Securities and/or cash in an amount sufficient so that the value of the Basket of Securities and/or cash delivered is equal to the NAV of the JPM ETF securities subscribed for next determined following the receipt of the subscription order; in the discretion of the Filer, the JPM ETF may also accept subscriptions for Creation Units in cash only, in securities other than Baskets of Securities and/or in a combination of cash and securities other than Baskets of Securities, in an amount equal to the NAV of the JPM ETF securities subscribed for next determined following the receipt of the subscription order;

16. Designated Brokers and Authorized Dealers will not receive any fees or commissions from the Filer or a JPM ETF in connection with the issuance of Creation Units to them; on the issuance of Creation Units, the Filer or a JPM ETF may, in the Filer's discretion, charge a fee to a Designated Broker or an Authorized Dealer to offset the expenses incurred in issuing the Creation Units;

17. upon notice given by the Filer from time to time and, in any event, not more than once quarterly, a Designated Broker may be contractually required to subscribe for Creation Units of a JPM ETF for cash in an amount not to exceed a specified percentage of the NAV of the JPM ETF or such other amount established by the Filer;

18. each JPM ETF has appointed or will appoint, at any given time, a Designated Broker to perform certain other functions, which include standing in the market with a bid and ask price for JPM ETF securities for the purpose of maintaining liquidity for the JPM ETF securities;

19. except for Authorized Dealer and Designated Broker subscriptions for Creation Units, as described above, and other distributions that are exempt from the Prospectus Delivery Requirement under the Legislation, JPM ETF securities generally will not be able to be purchased directly from a JPM ETF; investors are generally expected to purchase and sell JPM ETF securities, directly or indirectly, through dealers executing trades through the facilities of a Marketplace; JPM ETF securities may also be issued directly to Securityholders upon a reinvestment of distributions of income or capital gains;

20. securityholders that are not Designated Brokers or Authorized Dealers that wish to dispose of their JPM ETF securities may generally do so by selling their JPM ETF securities on a Marketplace, through a registered dealer, subject only to customary brokerage commissions; a securityholder that holds a Prescribed Number of JPM ETF Securities or multiple thereof may exchange such JPM ETF securities for Baskets of Securities and/or cash in the discretion of the Filer; securityholders may also redeem JPM ETF securities for cash at a redemption price equal to 95% of the closing price of the JPM ETF securities on a Marketplace on the date of redemption, subject to a maximum redemption price of the applicable NAV per JPM ETF security;

B. *Fannie Mae and Freddie Mac Relief*

21. the investment objective of each JPM ETF that will rely on the Fannie Mae and Freddie Mac Relief permits, or will permit, the JPM ETF to invest a majority of its assets in fixed income securities. The ability to invest in Fannie and Freddie Securities is, or will be, an important feature of each such JPM ETF due to the size and role of Fannie Mae and Freddie Mac in the U.S. mortgage industry;

22. Fannie Mae is a financial services corporation originally established by the U.S. Congress in 1938 to provide U.S. federal government money to local banks to finance home mortgages during the Great Depression; its business includes borrowing money in the debt markets by selling bonds and providing liquidity to mortgage originators by purchasing whole loans which it then securitizes by issuing mortgage-backed securities. Fannie Mae also earns

guarantee fees for assuming the credit risk on mortgage loans;

23. Freddie Mac is a financial services corporation that was created by the U.S. Congress in 1970 to expand the secondary market for mortgages in the U.S.; it was established to provide competition to Fannie Mae. Similar to Fannie Mae, the business of Freddie Mac includes buying mortgages in the secondary market, pooling them, and issuing mortgage-backed securities, as well as earning guarantee fees for assuming the credit risk on mortgage loans;

24. Fannie and Freddie Securities provide a substantial portion of the financing for residential mortgages in the U.S.;

25. originally, the obligations of Fannie Mae were explicitly guaranteed by the U.S. government. The explicit guarantee was removed as part of a reorganization of Fannie Mae in 1968. Like Fannie Mae, there is no explicit guarantee of the obligations of Freddie Mac by the U.S. government;

26. notwithstanding the absence of an explicit guarantee, most Fannie and Freddie Securities currently have a U.S. Government Equivalent Rating;

27. during the 2008 financial crisis, Fannie Mae and Freddie Mac together owned or guaranteed approximately half of the U.S.'s US$12 trillion mortgage market, many of which were at risk of defaulting on their obligations. Such a default would have increased the cost of obtaining mortgage financing from other sources, thereby exacerbating the decline in the U.S. residential real estate market, as well as negatively impacting investors (including retirement funds and money market funds) that held Fannie and Freddie Securities. As a result, on September 7, 2008, Fannie Mae and Freddie Mac were placed into conservatorship of the U.S. Federal Housing Finance Agency in order to stabilize them. Fannie Mae and Freddie Mac were expressly excluded from the bail-in regime created under Title II of the *United States Dodd-Frank Wall Street Reform and Consumer Protection Act* to preclude future U.S. government bailouts of large financial companies;

28. under the U.S. Investment Company Act, an investment company registered with the United States Securities and Exchange Commission (the **SEC**) seeking to qualify as a "diversified company" is required, among other matters, to invest at least 75% of its total assets in a manner whereby not more than 5% of the value of its total assets is invested in the securities of any single issuer (subject to certain exclusions); this restriction is analogous to the diversification requirement imposed on public investment funds in Canada by subsections 2.1(1) and 2.1(1.1) of NI 81-102; similar to paragraph 2.1(2)(a) of NI 81-102, the U.S. Investment Company Act excludes a "government security" from the 5% limit described;

29. the definition of "government security" in the U.S. Investment Company Act differs from that contained in NI 81-102 by including any security issued by a person controlled or supervised by and acting as an instrumentality of the U.S. government pursuant to authority granted by the U.S. Congress (a U.S. government instrumentality); each of Fannie Mae and Freddie Mac, currently under conservatorship, may be considered to be a U.S. government instrumentality and Fannie and Freddie Securities therefore are "government securities" under the U.S. Investment Company Act;

30. the definition of "government security" in NI 81-102 does not include U.S. government instrumentalities; accordingly, the only U.S. securities which qualify as government securities are those directly issued by, or fully and unconditionally guaranteed by, the U.S. government; Fannie and Freddie Securities do not meet this definition since their obligations

are not explicitly fully and unconditionally guaranteed by the U.S. government; and

31. as a result, the restrictions in subsections 2.1(1) and 2.1(1.1) in NI 81-102 apply to each investment by a JPM ETF in Fannie and Freddie Securities.

C. <u>U.S. Money Market Fund Relief</u>

The U.S. JPM ETFs

32. each U.S. JPM ETF is a U.S. domiciled exchange-traded fund managed by J.P. Morgan Investment Management Inc. (JPMIM; for all purposes herein, JPMIM also shall include an affiliate or successor of JPMIM, unless the context otherwise requires), an affiliate of the Filer;

33. JPMIM is registered with the SEC under the U.S. *Investment Advisers Act of 1940*;

34. each U.S. JPM ETF is subject to the U.S. Investment Company Act and is an "investment fund" within the meaning of applicable Canadian securities legislation;

35. the shares of each U.S. JPM ETF are or will be offered pursuant to a prospectus filed with the SEC;

36. the shares of each U.S. JPM ETF are or will be listed on a stock exchange in the U.S.;

37. the investment strategies of each U.S. JPM ETF permit it to invest its assets in high quality, liquid short-term instruments, including securities of other investment funds;

38. pursuant to the U.S. Investment Company Act, each U.S. JPM ETF may from time to time hold more than 10% of its NAV in securities of U.S. registered money market funds advised by JPMIM or an affiliate (each, a U.S. Money Market Fund); and

39. each U.S. JPM ETF currently holds securities of U.S. Money Market Funds, namely: (a) JPMorgan U.S. Government Money Market Fund and (b) JPMorgan Prime Money Market Fund or of one or more other U.S. Money Market Funds managed by JPMIM or an affiliate.

JPMorgan U.S. Government Money Market Fund

40. JPMorgan U.S. Government Money Market Fund is a series of JPMorgan Trust II, a statutory trust existing under the laws of the State of Delaware; JPMorgan U.S. Government Money Market Fund is considered to be, and invests its assets in accordance with, the maturity, credit and liquidity requirements of a U.S. "government money market fund" under Rule 2a-7 of the U.S. Investment Company Act; the investment objective of JPMorgan U.S. Government Money Market Fund is to seek high current income with liquidity and stability of principal;

41. JPMorgan U.S. Government Money Market Fund seeks to achieve its investment objective, under normal market conditions, by investing its assets exclusively in debt securities issued or guaranteed by the U.S. government, or by U.S. government agencies or instrumentalities or government-sponsored enterprises, and repurchase agreements fully collateralized by U.S. Treasury and U.S. government securities;

42. JPMorgan U.S. Government Money Market Fund is a money market fund managed in the following manner:

(a) the fund seeks to maintain a net asset value (NAV) of $1.00 per share;

(b) the dollar-weighted average maturity of the fund will be 60 days or less and the dollar-weighted average life to maturity will be 120 days or less;

(c) the fund will only buy securities that have remaining maturities of 397 days or less or securities otherwise permitted to be purchased because of maturity shortening provisions under applicable regulation;

(d) the fund invests only in U.S. dollar-denominated securities; and

(e) the fund seeks to invest in securities that present minimal credit risk.

JPMorgan Prime Money Market Fund

43. JPMorgan Prime Money Market Fund is a series of JPMorgan Trust I, a statutory trust existing under the laws of the State of Delaware; JPMorgan Prime Money Market Fund is considered to be, and invests its assets in accordance with, the maturity, credit and liquidity requirements of, a U.S. money market fund under Rule 2a-7 of the U.S. Investment Company Act; the investment objective of JPMorgan Prime Money Market Fund is to seek current income while seeking to maintain liquidity and a low volatility of principal;

44. JPMorgan Prime Money Market Fund seeks to achieve its investment objective by investing in high quality, short-term money market instruments which are issued and payable in U.S. dollars. JPMorgan Prime Money Market Fund principally invests in:

(a) high quality commercial paper and other short-term debt securities, including floating and variable rate demand notes of U.S. and foreign corporations;

(b) debt securities issued or guaranteed by qualified U.S. and foreign banks, including certificates of deposit, time deposits and other short-term securities;

(c) securities issued or guaranteed by the U.S. government, its agencies or instrumentalities or government-sponsored enterprises;

(d) asset-backed securities;

(e) repurchase agreements; and

(f) taxable municipal obligations.

45. JPMorgan Prime Money Market Fund is a money market fund managed in the following manner:

(a) the fund calculates its net asset value to four decimals (e.g., $1.0000) using market-based pricing and operates with a floating net asset value;

(b) the dollar-weighted average maturity of the fund will be 60 days or less and the dollar-weighted average life to maturity will be 120 days or less;

(c) the fund will only buy securities that have remaining maturities of 397 days or less or securities otherwise permitted to be purchased because of maturity shortening provisions under applicable regulation;

(d) the fund invests only in U.S. dollar-denominated securities; and

(e) the fund seeks to invest in securities that present minimal credit risk.

U.S. Money Market Funds

46. U.S. Money Market Funds are subject to the investment restrictions prescribed under Rule 2a-7 of the U.S. Investment Company Act, and other rules of the U.S. Securities and Exchange Commission, including certain restrictions relating to portfolio quality, maturity, diversification and liquidity;

47. the investment restrictions prescribed by Rule 2a-7 of the U.S. Investment Company Act are substantively similar to the requirements for money market funds under NI 81-102, subject to certain non-material differences including:

    (a) as outlined above, the portfolio of a U.S. Money Market Fund must maintain a dollar-weighted average portfolio maturity appropriate to its investment objective provided that the fund must not: (i) acquire any instrument with a remaining maturity of greater than 397 calendar days or (ii) maintain a dollar-weighted average portfolio maturity that (A) exceeds 60 calendar days or (B) exceeds 120 calendar days (determined without reference to the exceptions in (i) above regarding interest rate readjustments);

    (b) the advisor to a U.S. Money Market Fund must determine that any investment by the fund creates a minimal credit risk for the fund; and

    (c) a U.S. Money Market Fund, in which a U.S. JPM ETF will invest, must not have less than: (i) 10% of its assets invested in cash, direct obligations of the U.S. Government, government securities under certain conditions or securities that will mature within one business day and (ii) 30% of its assets invested in cash, direct obligations of the U.S. Government, government securities under certain conditions or securities that will mature in five business days.

48. the Filer believes that any risks associated with an indirect investment in a U.S. Money Market Fund compared to a Canadian money market fund are mitigated by the fact that the U.S. Money Market Fund is subject to the U.S. Investment Company Act and oversight by the SEC and any loss that could result from an investment in a U.S. Money Market Fund by a U.S. JPM ETF will be limited to the amount invested by the U.S. JPM ETF in such U.S. Money Market Fund;

C. <u>U.S. Underlying Fund Relief</u>

The Top Funds

49. the Top Funds will be actively managed ETFs governed by the laws of the province of British Columbia;

50. the Filer intends to launch the Top Funds essentially as the Canadian versions of the U.S. Underlying Funds;

51. JPMIM acts as the portfolio advisor for the U.S. Underlying Funds and will act as portfolio sub-advisor to the Top Funds;

52. the investment objectives, investment strategies, investment restrictions and risk factors applicable to Canadian JBND will be substantially the same as those applicable to JBND, except that Canadian JBND will be permitted to achieve these objectives by investing

substantially all of its assets in JBND shares;

53. the investment objectives, investment strategies, investment restrictions and risk factors applicable to Canadian JCPB will be substantially the same as those applicable to JCPB, except that Canadian JCPB will be permitted to achieve these objectives by investing substantially all of its assets in JCPB shares;

54. the investment objectives, investment strategies, investment restrictions and risk factors applicable to Canadian JPIE will be substantially the same as those applicable to JPIE, except that Canadian JPIE will be permitted to achieve these objectives by investing substantially all of its assets in JPIE shares;

55. the investment objectives, investment strategies, investment restrictions and risk factors applicable to Canadian JPST will be substantially the same as those applicable to JPST, except that Canadian JPST will be permitted to achieve these objectives by investing substantially all of its assets in JPST shares;

56. it is currently expected that the Filer will launch a currency hedged version and a currency unhedged version of each Top Fund, which currency hedged versions are expected to seek to hedge substantially all of their U.S. dollar currency exposure back to the Canadian dollar;

57. the portfolio managers at JPMIM currently responsible for overseeing each U.S. Underlying Fund's portfolio and investments are currently expected to be the same as the portfolio managers responsible for overseeing each Top Fund's portfolio and investments, in JPMIM's capacity as sub-advisor to the Top Funds; and

58. affiliates of JPMorgan Chase Bank, N.A., the custodian and transfer agent for the U.S. Underlying Funds, will act as the Top Funds' custodian and transfer agent;

The U.S. Underlying Funds

59. the U.S. Underlying Funds are actively managed exchange-traded funds subject to the U.S. Investment Company Act and each is an investment fund within the meaning of applicable Canadian securities legislation;

60. each of JPMIM and the U.S. Underlying Funds are regulated by the SEC; the regulatory oversight of JPMIM and the U.S. Underlying Funds by the SEC will be functionally equivalent to that of the Filer and the Top Funds, which will be primarily regulated by the BCSC;

61. the portfolio holdings of each of the U.S. Underlying Funds are available on their respective websites and are updated on a daily basis as of the close of business on the prior business day;

62. securities of each U.S. Underlying Fund are offered in their primary markets pursuant to a prospectus filed with the SEC which discloses material facts, similar to the disclosure requirements under Form 41-101F2;

63. the U.S. Underlying Funds are required to prepare a summary prospectus which provides disclosure that is substantially similar to the disclosure required to be included in the ETF Facts required by Form 41-101F4 *Information Required in an ETF Facts Document*;

64. the U.S. Underlying Funds are subject to continuous disclosure obligations which are substantially similar to the continuous disclosure obligations under National Instrument 81-

106 *Investment Fund Continuous Disclosure*;

65. the U.S. Underlying Funds are required to update information of material significance in their respective prospectuses, to prepare an unaudited set of financial statements at least semi-annually, and to prepare management discussion of fund performance and an audited set of financial statements annually;

66. JPMIM owes its clients (including the U.S. Underlying Funds) a fiduciary duty under the U.S. *Investment Advisers Act of 1940*, which comprises a duty of care and a duty of loyalty; JPMIM must, at all times, serve the best interests of its clients, including the U.S. Underlying Funds;

67. the securities of JBND are listed and traded on the NYSE, the securities of JCPB are listed and traded on Cboe Global Markets and the securities of JPIE and JPST are listed on the NYSE Arca, each a regulated exchange in the United States; the listing requirements of the NYSE, Cboe Global Markets and NYSE Arca substantially address the same concerns as the listing requirements of Marketplaces in Canada; and

68. the markets for securities of the U.S. Underlying Funds are sufficiently liquid because the U.S. Underlying Funds are large funds, with JBND having US$1.89B in assets (as at April 30, 2025), JCPB having US$6.27B in assets (as at April 30, 2025), JPIE having US$3.39B in assets (as at April 30, 2025) and JPST having US$30.55B in assets (as at April 30, 2025); in addition, they are supported by authorized participants and market makers (each of whom are U.S. broker-dealers) which make the markets for the securities of the U.S. Underlying Funds and are incentivized to do so because of the arbitrage opportunities inherent in making such markets; accordingly, the Filer expects the Top Funds to be able to dispose of securities of the U.S. Underlying Funds through market facilities in order to raise cash, including to fund the redemption requests of their respective Securityholders from time to time;

JBND

69. the investment objective of JBND is to seek to deliver total returns from a portfolio of investment grade intermediate- and long-term bonds;

70. JBND seeks to achieve its investment objectives by investing, under normal circumstances, at least 80% of its assets in bonds. JBND invests primarily in investment grade corporate bonds, U.S Treasury obligations, including treasury coupon strips and treasury principal strips, other U.S. government and agency securities, and asset-backed and mortgage-backed securities;

71. JBND's bond holdings will have intermediate to long maturities, with the average weighted maturity range falling between 4 and 12 years; JBND may shorten or lengthen its average weighted maturity if deemed appropriate for a temporary defensive purpose;

72. under normal market conditions, JBND invests at least 80% of its assets in investments that, at the time of purchase, are rated as investment grade or the unrated equivalent. While JBND may not purchase below investment grade securities, it may hold up to 5% in below investment grade securities;

73. JBND may invest in (a) investment grade corporate bonds, (b) U.S. Treasury obligations, including treasury coupon strips and treasury principal strips, (c) other U.S. government and agency securities, (d) debt securities structured as private placements, (e) restricted securities and other unregistered securities, (f) foreign securities, (g) agency mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, non-

agency residential mortgage-backed securities and sub-prime mortgaged-related securities, (h) adjustable rate mortgage loans, (i) non-government foreign debt securities, (j) mortgage dollar rolls, (k) variable and floating rate securities, (l) when-issued, delayed delivery securities and forward commitments, (m) zero-coupon securities, and (n) pay-in-kind and deferred payment securities;

74. JBND has flexibility to utilize derivatives as substitutes for securities in which JBND can invest, in order to manage duration, sector and yield curve exposure, credit and spread volatility and to respond to volatile market conditions. Such derivatives may include futures contracts, options and swaps;

75. as part of its principal investment strategy and for temporary defensive purposes, any portion of JBND's total assets may be invested in cash and cash equivalents, including affiliated money market funds; and

76. as at April 30, 2025, the NAV of JBND was US$1.89B and JBND held 1,143 individual positions across 10 industries.

JCPB

77. the investment objective of JCPB is to seek to provide a high level of current income by investing primarily in a diversified portfolio of high-, medium- and low-grade debt securities;

78. JCPB seeks to achieve its investment objectives by investing, under normal circumstances, at least 80% of its assets in bonds; JCPB invests primarily in corporate bonds, U.S Treasury obligations and other U.S. government and agency securities and asset-backed, mortgage-related and mortgage-backed securities;

79. JCPB also may invest in securities rated below investment grade (i.e., high yield bonds, also called junk bonds or non-investment grade bonds) or the unrated equivalent, including from foreign and emerging markets;

80. JCPB's bond holdings will have intermediate to long maturities, with the average weighted maturity range ordinarily falling between 5 and 20 years; JCPB may shorten or lengthen its average weighted maturity if deemed appropriate for a temporary defensive purpose;

81. JCPB has flexibility to invest across the credit spectrum, which provides exposure to various credit rating categories; under normal market conditions, JCPB invests at least 70% of its assets in investments that, at the time of purchase, are rated investment grade or that are unrated but deemed to be comparable in quality; the balance of JCPB's assets are not required to meet any minimum quality rating, although JCPB will not, under normal circumstances, invest more than 30% of its assets in below investment grade securities (or the unrated equivalent); such securities also include distressed debt;

82. JCPB may invest in (a) corporate bonds, (b) U.S. Treasury obligations, (c) other U.S. government and agency securities, (d) debt securities structured as private placements, (e) restricted securities and other unregistered securities, (f) foreign securities, including securities denominated in foreign currencies (g) asset backed, mortgage-related securities, (h) mortgage-related and mortgage-backed securities (including collateralized mortgage obligations (agency and non-agency), stripped mortgage-backed securities (interest-only or principal-only), commercial mortgage-backed-securities, mortgage pass-through securities and sub-prime mortgage-related securities), (i) mortgage dollar rolls, (j) other ETFs, (k) preferred shares, (l) convertible securities including contingent convertible securities, loan participations and assignments, (m) preferred stock and common stock, and (n) municipal

securities;

83. JCPB has flexibility to utilize derivatives as substitutes for securities in which JCPB can invest, in order to hedge various investments, for risk management, efficient portfolio management, and/or to increase income or gain; such derivatives may include futures contracts, options, swaps and forward contracts. JCPB may use CPI-U swaps to hedge inflation risks associated with certain debt securities it holds; JCPB may also use foreign currency derivatives such as currency forwards to hedge its non-US dollar investments back to the U.S. dollar, or to gain or adjust exposure to particular foreign securities, markets or currencies;

84. as part of its principal investment strategy and for temporary defensive purposes, any portion of JCPB's total assets may be invested in cash and cash equivalents, including affiliated money market funds; and

85. as at April 30, 2025, the NAV of JCPB was US$6.27B and JCPB held 2,652 individual positions across 16 industries.

JPIE

86. the investment objective of JPIE is to seek to provide income with a secondary objective of capital appreciation;

87. JPIE seeks to achieve its investment objectives by investing opportunistically among multiple debt markets and sectors that JPMIM believes will have high potential to produce income and have low correlations to each other in order to manage risk;

88. JPIE is not managed to a benchmark, which allows it to shift its allocations based on changing market conditions, which may result in investing in a single or in multiple markets and sectors;

89. JPIE has broad flexibility to invest in a wide variety of debt securities and instruments of any maturity; JPIE may invest in fixed and floating rate debt securities issued in both the U.S. and foreign markets, including emerging markets, and anticipates it will invest no more than 10% of its total assets in non-U.S. dollar denominated securities;

90. although JPIE has the flexibility to invest above 65% of its total assets in investments that are rated below investment grade (also known as junk bonds or high yield securities) or the unrated equivalent (which may include distressed debt), to take advantage of market opportunities, under normal market conditions, JPIE invests at least 35% of its total assets in investments that, at the time of purchase, are rated investment grade or the unrated equivalent;

91. JPIE may invest in (a) asset-backed securities, mortgage-related securities, mortgage-backed securities and sub-prime mortgaged-related securities, (b) inverse floaters and inverse interest-only securities, (c) structured investments and adjustable-rate mortgage loans, (d) securities issued by the U.S. government and its agencies and instrumentalities, (e) inflation-linked debt securities, (g) loan participations, assignments and commitments to purchase loans, and (h) convertible securities and preferred stock;

92. JPIE has flexibility to utilize derivatives, which will be used primarily for hedging, but may also be used as substitutes for securities in which JPIE can invest; such derivatives may include futures contracts, options, swaps (including interest rate and credit default swaps) and forward contracts;

93. JPIE may also invest in mortgage pass-through securities including securities eligible to be sold on the to-be-announced or TBA market (mortgage TBAs); JPIE may enter into dollar rolls, in which JPIE sells mortgage-backed securities including mortgage TBAs and at the same time contracts to buy back very similar securities on a future date; JPIE may also sell mortgage TBAs short;

94. as part of its principal investment strategy and for temporary defensive purposes, any portion of JPIE's assets may be invested in cash and cash equivalents; and

95. as at April 30, 2025, the NAV of JPIE was US$3.39B and JPIE held 1,910 individual positions across 12 industries.

JPST

96. the investment objective of JPST is to seek to provide current income while seeking to maintain a low volatility of principal;

97. under normal circumstances, JPST seeks to achieve its investment objective by investing at least 80% of its assets in investment grade, U.S. dollar denominated short-term fixed, variable and floating rate debt;

98. for purposes of JPST's 80% policy, the investment grade U.S. dollar denominated short-term fixed, variable and floating rate debt securities in which JPST will invest will carry a minimum short-term rating of P-2, A-2 or F2 or better by Moody's Investors Service Inc. (Moody's), Standard & Poor's Corporation (S&P), or Fitch Ratings (Fitch), respectively, or the equivalent by another nationally recognized statistical rating organization, or a minimum long-term rating of Baa3, BBB- or BBB- by Moody's, S&P or Fitch, respectively, or an equivalent by another nationally recognized statistical rating organization at the time of investment, or if such investments are unrated, deemed by JPMIM to be of comparable quality at the time of investment;

99. JPST also may invest in securities rated below investment grade (i.e., high yield bonds, also called junk bonds or non-investment grade bonds) or the unrated equivalent;

100. JPST may invest in (a) corporate securities, (b) asset-backed securities (including sub prime securities and collateralized loan obligations), (c) mortgage-backed securities and mortgage related securities, (d) high quality money market instruments (such as commercial paper and certificates of deposit), (e) U.S. Treasury securities (including Separate Trading of Registered Interest and Principal of Securities), (f) securities issued or guaranteed by the U.S. government or its agencies and instrumentalities, (g) securities issued or guaranteed by foreign governments, (h) repurchase agreements, (i) when-issued securities, (j) delayed delivery securities, (k) forward commitments, (l) zero-coupon securities, and (m) privately placed securities;

101. under normal conditions, JPST will invest more than 25% of its assets in securities issued by companies in the banking industry; JPST may, however, invest less than 25% of its assets in the banking industry as a temporary defensive measure;

102. as part of its principal investment strategy and for temporary defensive purposes, any portion of JPST's total assets may be invested in cash, money market funds and cash equivalents; and

103. as at April 30, 2025, the NAV of JPST was US$30.55B and JPST held 839 individual positions across 8 industries.

Benefits of Investing in U.S. Underlying Funds

104. given the size of the U.S. Underlying Funds, they are able to invest in a wide variety of debt securities, providing exposure to multiple markets, and resulting in a well-diversified portfolio; the Filer submits that the Top Funds would require substantial initial investment in order to properly articulate their respective investment strategies through a directly held portfolio, and because they will have significantly less assets than the corresponding U.S. Underlying Fund at inception, the Filer believes that the Top Funds likely would not otherwise be able to achieve the portfolio diversification available to them by investing substantially all of their assets in the corresponding U.S. Underlying Fund;

105. furthermore, the Filer believes that it is expected that there will be pricing and efficiency benefits from the Top Funds investing in the U.S. Underlying Funds; the U.S. Underlying Funds benefit from more competitive pricing as a result of purchasing significantly larger volumes of debt securities, and therefore, by the Top Funds investing substantially all of their assets in shares of the corresponding U.S. Underlying Fund, the Filer believes that trading costs are expected to be lower for the Top Funds than the Top Funds could achieve through a directly held portfolio; and

106. given the expected benefits that the Filer believes the Top Funds can achieve through direct investment in U.S. Underlying Funds (being efficient exposure to a diversified pool of debt securities in multiple markets, with the benefit of more competitive pricing, greater liquidity and lower trading costs), Canadian JBND would like to invest up to 100% of its net assets in JBND, Canadian JCPB would like to invest up to 100% of its net asset in JCPB, Canadian JPIE would like to invest up to 100% of its net assets in JPIE, and Canadian JPST would like to invest up to 100% of its net asset in JPST.

¶ 4 Reasons for Exemption Sought

A. *JPM ETF Relief*

Underwriter's Certificate Requirement

107. Authorized Dealers and Designated Brokers will not provide the same services in connection with a distribution of Creation Units as would typically be provided by an underwriter in a conventional underwriting;

108. the Filer will generally conduct its own marketing, advertising and promotion of the JPM ETFs;

109. the Authorized Dealers and Designated Brokers will not be involved in the preparation of a JPM ETF's prospectus, will not perform any review or any independent due diligence as to the content of a JPM ETF's prospectus, and will not incur any marketing costs or receive any underwriting fees or commissions from the JPM ETFs or the Filer in connection with the distribution of JPM ETF securities; the Authorized Dealers and Designated Brokers generally seek to profit from their ability to create and redeem JPM ETF securities by engaging in arbitrage trading to capture spreads between the trading prices of JPM ETF securities and their underlying securities and by making markets for their clients to facilitate client trading in JPM ETF securities;

110. in addition, neither the Filer nor the JPM ETFs will pay any fees or commissions to the Designated Brokers and Authorized Dealers; as the Designated Brokers and Authorized Dealers will not receive any remuneration from the Filer or a JPM ETF in connection with distributing JPM ETF securities and as the Authorized Dealers will change from time to time, it is not practical to provide an underwriter's certificate in the prospectus of the JPM ETFs;

Take-Over Bid Requirements

111. as equity securities that will trade on a Marketplace, it is possible for a person or company to acquire such number of JPM ETF securities so as to trigger the application of the Take-Over Bid Requirements; however:

    (a) it will be difficult for one or more Securityholders to exercise control or direction over a JPM ETF, as the constating documents of each JPM ETF will provide that there can be no changes made to such JPM ETF which do not have the support of the Filer;

    (b) it will be difficult for the purchasers of JPM ETF securities to monitor compliance with the Take-Over Bid Requirements because the number of outstanding JPM ETF securities will always be in flux as a result of the ongoing issuance and redemption of JPM ETF securities by each JPM ETF; and

    (c) the way in which the JPM ETF securities will be priced deters anyone from either seeking to acquire control or offering to pay a control premium for outstanding JPM ETF securities because pricing for each JPM ETF security will generally reflect the NAV of the JPM ETF securities.

112. the application of the Take-Over Bid Requirements to the JPM ETFs would have an adverse impact on the liquidity of the JPM ETF securities because they could cause the Designated Brokers and other large Securityholders to cease trading JPM ETF securities once the Securityholder has reached the prescribed threshold at which the Take-Over Bid Requirements would apply; this, in turn, could serve to provide conventional mutual funds with a competitive advantage over the JPM ETFs.

B. Fannie Mae and Freddie Mac Relief

113. the Filer believes that Fannie and Freddie Securities represent a large, attractive and unique category of investment that cannot be replicated by any other issuer; for this reason, it is important to the JPM ETFs that they be entitled to maximize their opportunity to invest in Fannie and Freddie Securities;

114. the Filer believes that investments in Fannie and Freddie Securities are desirable because of their risk/return characteristics; accordingly, if the Fannie Mae and Freddie Mac Relief is granted, each JPM ETF will have the opportunity to maintain a more attractive portfolio through greater exposure to these securities;

115. JPMIM manages investment companies in the U.S. that currently hold significant amounts of Fannie and Freddie Securities, in many cases with individual investment companies investing more than 10% of their net assets in the securities of either Fannie Mae or Freddie Mac; granting the Fannie Mae and Freddie Mac Relief will enable the JPM ETFs to invest in Fannie and Freddie Securities to the same degree and proportions as their equivalent U.S. investment company counterparts managed by JPMIM;

116. the Filer intends, either directly or through sub-advisers, to research and monitor the investment attributes and trading operations for Fannie and Freddie Securities; such

ongoing research and monitoring will include monitoring proposals to restructure the U.S. residential housing market that may impact the Fannie and Freddie Securities; if the U.S. Congress proposes legislation and the Filer determines in its judgement that, as a result of the announced proposed legislation, there is a significant risk that the Fannie and Freddie Securities held by the JPM ETFs could cease to have a U.S. Government Equivalent Rating or their credit ratings could decline below a Minimum Rating, the JPM ETFs will take any steps that are reasonably required to dispose of their Fannie and Freddie Securities in an orderly and timely fashion such that the Fannie and Freddie Securities held by the JPM ETFs comply with subsections 2.1(1) and 2.1(1.1) of NI 81-102;

117. the Filer, on behalf of the JPM ETFs, requests relief from the restrictions contained in subsection 2.1(1) of NI 81-102 to permit each JPM ETF that is a mutual fund, other than an alternative mutual fund, to make a Purchase when, immediately after the Purchase, more than 10% of the NAV of the JPM ETF would be invested in Fannie and Freddie Securities; and

118. the Filer, on behalf of the JPM ETFs, requests relief from the restrictions contained in subsection 2.1(1.1) of NI 81-102 to permit each JPM ETF that is an alternative mutual fund to make a Purchase when, immediately after the Purchase, more than 20% of the NAV of the JPM ETF would be invested in Fannie and Freddie Securities.

C. U.S. Money Market Fund Relief

119. each JPM ETF would be permitted to invest in shares of a U.S. JPM ETF pursuant to section 2.5(2) of NI 81-102 in reliance on the exceptions provided for in:

    (a) subsection 2.5(3)(a) in respect of the shares of those U.S. JPM ETFs that meet the definition of "index participation units" under NI 81-102, or (ii) the U.S. Underlying Fund Relief in respect of the shares of the U.S. Underlying ETFs where such investment is made by the corresponding Top Fund only;

    (b) subsection 2.5(5) of NI 81-102 as each Fund purchases or will purchase, shares of a U.S. JPM ETF in the secondary market; and

    (c) subsection 2.5(4)(b) of NI 81-102, but for the fact that a U.S. JPM ETF may from time to time purchase or hold more than 10% of its NAV in one or more U.S. Money Market Funds, which as outlined in representation 47, may not meet all of the investment restrictions prescribed in section 2.18 of NI 81-102 and the securities of which do not qualify as "index participation units".

120. the U.S. Money Market Funds in which the U.S. JPM ETFs may invest are subject to the investment restrictions prescribed under Rule 2a-7 of the U.S. Investment Company Act, which are substantially similar to the investment restrictions applicable to a money market fund under NI 81-102;

121. additionally, the exception in Section 2.5(4)(b)(ii) would permit a JPM ETF to purchase and hold securities of a U.S. JPM ETF if such U.S. JPM ETF held more than 10% of its NAV in securities of other U.S. JPM ETFs, provided the securities of each underlying U.S. JPM ETF met the definition of index participation units under NI 81-102; however, since the bottom tier of the proposed structure is one or more U.S. Money Market Funds the securities of which do not qualify as index participation units (rather than a U.S. JPM ETF that issues index participation units), the exception to the 10% limit in Section 2.5(2)(b) of NI 81-102 is not available; this may produce an unintended result given the eligible U.S. JPM ETFs and U.S. Money Market Funds are regulated under the U.S. Investment Company Act and the U.S. Money Market Funds are generally required by the applicable

U.S. Investment Company Act regulations to have a more conservative investment strategy than many U.S. JPM ETFs that would be eligible for the aforementioned exception;

122. the U.S. Money Market Funds in which the U.S. JPM ETFs may invest will be subject to the oversight of the SEC;

123. the JPM ETFs will not pay any management or incentive fees in connection with an investment in securities of the U.S. JPM ETF which to a reasonable person would duplicate a fee payable by the U.S. JPM ETF for the same service;

124. the amount of loss that could result from an investment by a JPM ETF in a U.S. JPM ETF will be limited to the amount invested by the JPM ETF in the U.S. JPM ETF;

125. the investment by a JPM ETF in a U.S. JPM ETF will be made in accordance with the fundamental investment objectives of the JPM ETF; and

126. the Filer submits that employing a fund-of-fund structure as described herein achieves efficiencies from an operational perspective and will allow the JPM ETFs to obtain exposure to the U.S. JPM ETFs on a cost-effective basis.

D. U.S. Underlying Fund Relief

127. the Filer believes that having the ability to invest up to 100% of each Top Fund's NAV in securities of the corresponding U.S. Underlying Fund would provide the Top Funds with access to investment opportunities which, as described herein, the Top Funds would not be able to access on an equivalent and cost-efficient basis, which in turn would allow the Top Funds to obtain more advantageous pricing and/or maintain significantly more diversified or tailored portfolios;

128. the Top Funds will not pay any management or incentive fees in connection with an investment in securities of the U.S. Underlying Funds, which to a reasonable person would duplicate a fee payable by the U.S. Underlying Funds for the same service;

129. the investment universe in which JPMIM selects portfolio investments for each of the U.S. Underlying Funds will be the same investment universe in which JPMIM is or will be permitted to select portfolio investments for each of the Top Funds;

130. as at April 30, 2025, the NAV of each of the U.S. Underlying Funds was US$1.89B for JBND, US$6.27B for JCPB, US$3.39B for JPIE and US$30.55B for JPST; as the U.S. Underlying Funds are expected to always have more assets than each of the respective Top Funds, JPMIM is expected to be able to take advantage of investment opportunities given its ability to transact on a larger scale (i.e., the U.S. Underlying Funds are expected to be able to obtain more advantageous pricing and/or have the ability to purchase certain securities that would not otherwise be expected to be available to the Top Funds, given their expected size); accordingly, the U.S. Underlying Fund securityholders are expected to have exposure to a portfolio of assets on a more cost-efficient basis and/or with greater diversification than the Filer believes the Top Fund securityholders would otherwise have in a directly held structure;

131. a summary of key benefits to the Top Funds in investing in securities of the U.S. Underlying Funds include:

(a) the Top Funds would have access to specialized knowledge, expertise and/or analytical resources of JPMIM;

(b) pricing, diversification and/or efficiency benefits that would otherwise not be available to the Top Funds;

(c) greater liquidity than would be achieved purchasing a directly held portfolio of fixed income instruments; and

(d) Securityholders of the Top Funds will have the ability to make their investments using Canadian dollars.

132. any risks associated with an investment in securities of the U.S. Underlying Funds are mitigated by the fact that:

(a) the U.S. Underlying Funds are subject to the U.S. Investment Company Act and oversight of by SEC, and JPMIM is subject to the U.S. *Investment Advisers Act of 1940* and oversight by the SEC, and

(b) the U.S. Underlying Funds will comply with Sections 2.1 (concentration restriction), 2.2 (control restrictions), 2.3 (restrictions concerning types of investments), 2.4 (restrictions concerning illiquid assets), 2.6 (borrowing and other investment practices), except in the limited circumstances set out herein under "*Compliance with Section 2.6 of NI 81-102 by the U.S. Underlying Funds*", and 2.6.1 (short sales) of NI 81-102, subject to any exemptions therefrom obtained by the applicable Top Fund.

133. the amount of loss that could result from an investment by the Top Funds in securities of the U.S. Underlying Funds will be limited to the amount invested by the Top Funds in the U.S. Underlying Funds;

134. an investment by the Top Funds in securities of the U.S. Underlying Funds will represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of the Top Funds;

135. the securities of the U.S. Underlying Funds will not meet the definition of index participation unit as set out in NI 81-102, because the U.S. Underlying Funds will not:

(a) hold securities that are included in a specified widely quoted index in substantially the same proportion as those securities are reflected in that index; or

(b) invest in a manner that causes the U.S. Underlying Funds to replicate the performance of an index.

Compliance with Section 2.6 of NI 81-102 by the U.S. Underlying Funds

136. each of the U.S. Underlying Funds will comply with Section 2.6 of NI 81-102, except that, in the following limited circumstances, borrowing by the U.S. Underlying Funds contrary to subparagraph 2.6(1)(a)(i) of NI 81-102 will be permitted in accordance with Section 18f of the U.S. Investment Company Act:

(a) section 18f of the U.S. Investment Company Act permits open-end investment companies to borrow from banks, provided that immediately after the borrowing, there is asset coverage of at least 300% for all borrowings; this effectively allows the U.S. Underlying Funds to borrow up to one-third of their NAV; however, borrowing is not part of the investment strategies of any of the U.S. Underlying Funds, and the U.S.

Underlying Funds have only engaged in borrowing in compliance with subparagraph 2.6(1)(a)(i) of NI 81-102 since their inception;

(b) under normal market conditions, the U.S. Underlying Funds will comply with paragraph 2.6(1)(a)(i) of NI 81-102; however, in stressed market conditions, JPMIM may be required, in accordance with its fiduciary duty to the U.S. Underlying Funds, to cause a U.S. Underlying Fund to borrow above the limit set out in subparagraph 2.6(1)(a)(i) of NI 81-102, in compliance with the U.S. Investment Company Act, as a temporary measure to accommodate requests for the redemption of shares of the U.S. Underlying Fund while the U.S. Underlying Fund effects an orderly liquidation of portfolio assets, or to permit the U.S. Underlying Fund to settle portfolio transactions;

(c) the Filer submits that it is beneficial to the Top Funds for the U.S. Underlying Funds to be able borrow above the limit set out in subparagraph 2.6(1)(a)(i) of NI 81-102, in compliance with the U.S. Investment Company Act, in stressed market conditions, because it would provide increased liquidity to, and facilitate redemptions by, the Top Funds, as shareholders in the U.S. Underlying Fund, during such periods;

(d) the U.S. Underlying Funds would only engage in borrowing above the limit set out in subparagraph 2.6(1)(a)(i) of NI 81-102 in stressed market conditions and only if JPMIM determined such borrowing was necessary in the best interests of shareholders of the applicable U.S. Underlying Fund (which include the corresponding Top Fund); and

137. the Prior Relief required the U.S. Underlying Funds to comply with section 2.6 of NI 81-102 without exception; however, in order for JPMIM to satisfy its fiduciary duties to the U.S. Underlying Funds, it cannot restrict its ability to borrow in accordance with the U.S. Investment Company Act where it determines such temporary borrowing is necessary in the best interests of shareholders of the applicable U.S. Underlying Fund as a result of stressed market conditions; the Filer therefore requests the Revocation to replace the Prior Relief with the Exemption Sought.

Decision

¶ 5 The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator is that:

1. the Revocation is granted;

2. the Exemption Sought from the Underwriter's Certificate Requirement is granted;

3. the Exemption Sought from the Take-Over Bid Requirement is granted;

4. The Exemption Sought in respect of the Fannie Mae and Freddie Mac Relief is granted to each JPM ETF, provided that:

   (a) at the time of Purchase, the Fannie or Freddie Security has a U.S. Government Equivalent Rating and a rating not less than the Minimum Rating;

   (b) the prospectus of each JPM ETF:

      (i) discloses that the JPM ETF has received permission to invest more than 10% (or, in the case of an alternative mutual fund, 20%) of its net assets in each of Fannie Mae and Freddie Mac provided the Fannie and Freddie Securities maintain a U.S.

Government Equivalent Rating and a rating not less than the Minimum Rating;

(ii) discloses (in the case of a prospectus or simplified prospectus, under the heading or sub-heading Investment Strategies) the maximum amount the JPM ETF may invest in Fannie and Freddie Securities; and

(iii) contains risk factors that:

(a) the U.S. government may not guarantee payment of Fannie and Freddie Securities; and

(b) describe the risks associated with the JPM ETF investing more than 10% (or, in the case of an alternative mutual fund, 20%) of its net assets in securities of Fannie Mae or Freddie Mac,

(c) if the rating of a Fannie or Freddie Security held by a JPM ETF ceases to have a U.S. Government Equivalent Rating or declines below the Minimum Rating, the JPM ETF will take the steps that are reasonably required to dispose of such Fannie or Freddie Security in an orderly and timely fashion such that the Fannie and Freddie Securities held by the JPM ETF comply with subsections 2.1(1) and 2.1(1.1) of NI 81-102; and

(d) if the U.S. Congress proposes legislation intended to impact Fannie Mae and/or Freddie Mac and the Filer determines in its judgement that, as a result of the announced proposed legislation, there is a significant risk that the Fannie and Freddie Securities held by the JPM ETFs could cease to have a U.S. Government Equivalent Rating or their credit ratings could decline below the Minimum Rating, the JPM ETFs will take the steps that are reasonably required to dispose of such Fannie and Freddie Securities in an orderly and timely fashion such that the Fannie and Freddie Securities held by the JPM ETFs comply with subsection 2.1(1) of NI 81-102 and/or 2.1(1.1) of NI 81-102, as applicable.

5. the Exemption Sought in respect of the U.S. Money Market Fund Relief is granted to each JPM ETF, provided that:

(a) the investment by a JPM ETF in securities of a U.S. JPM ETF is in accordance with the fundamental investment objectives of the JPM ETF;

(b) the U.S. JPM ETF is an exchange-traded fund subject to the U.S. Investment Company Act in good standing with the SEC;

(c) the U.S. JPM ETF will not, at the time securities of the U.S. JPM ETF are acquired by a JPM ETF, hold more than 10% of its NAV in securities of any other investment funds other than securities of one or more U.S. Money Market Funds or investment funds that issue index participation units; and

(d) the prospectus of each JPM ETF discloses, or will disclose in the next renewal of its prospectus following the date of this decision, in the investment strategy section, the fact that the JPM ETF has obtained the Exemption Sought to permit the JPM ETF to purchase and hold shares of a U.S. JPM ETF that may hold more than 10% of its NAV in securities of one or more U.S. Money Market Funds.

6. the Exemption Sought in respect of the U.S. Underlying Fund Relief is granted to each Top Fund, provided that:

(a) the investments by a Top Fund in securities of a U.S. Underlying Fund are in accordance with the investment objectives of the Top Fund;

(b) the relevant U.S. Underlying Fund is an investment company subject to the U.S. Investment Company Act in good standing with the SEC;

(c) the relevant U.S. Underlying Fund will comply with sections 2.1 (concentration restriction), 2.2 (control restrictions), 2.3 (restrictions concerning types of investments), 2.4 (restrictions concerning illiquid assets), 2.6 (borrowing and other investment practices), except in the limited circumstances set out herein under "*Compliance with Section 2.6 of NI 81-102 by the U.S. Underlying Funds*", and 2.6.1 (short sales) of NI 81-102, subject to any exemptions therefrom obtained by the applicable Top Fund;

(d) the portfolio manager of each Top Fund is the Filer that is registered under the *Securities Act* (British Columbia) as a portfolio manager and the portfolio advisor of each U.S. Underlying Fund and sub-advisor of each Top Fund is JPMIM, that is registered with the SEC under the U.S. *Investment Advisers Act of 1940* and subject to oversight by the SEC;

(e) the relevant U.S. Underlying Fund will not, at the time securities of the U.S. Underlying Fund are acquired by the Top Fund, hold more than 10% of its NAV in securities of any other investment fund other than securities of a money market fund, a U.S. Money Market Fund, or a mutual fund that issues index participation units;

(f) borrowing is not part of the investment strategies of the relevant U.S. Underlying Fund; and

(g) the Top Fund will disclose in its prospectus following the date of this decision, in the investment strategy section, the fact that the Top Fund has obtained the Exemption Sought to permit investments in the U.S. Underlying Funds on the terms described in this decision.

Gordon Johnson
Vice-Chair
British Columbia Security Commission