

February 26, 2014

**In the Matter of the Securities Legislation of
Saskatchewan and Ontario**

and

**In the Matter of
The Process for Exemptive Relief in Multiple Jurisdictions**

and

**In the Matter of Greystone Managed Investments Inc.
(the Filer)**

Decision

Background

The securities regulatory authority or regulator in each of Saskatchewan and Ontario (each, a **Decision Maker**) has received an application from the Filer for a decision under the securities legislation of those provinces (the **Legislation**) that exempts the Filer from the application of section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), in order to allow the Filer to cause:

- (a) the sale by one of the Pooled Funds (as defined below) of securities to one or more of the other Pooled Funds and/or to the Segregated Accounts (as defined below);
- (b) the sale by one of the Segregated Accounts of securities to one or more of the Pooled Funds; and
- (c) the purchase of the securities referred to in paragraphs (a) and (b) by the Pooled Fund(s) and/or the Segregated Account(s), as the case may be, for cash payable to the selling Pooled Fund or Segregated Account;
(each such purchase and sale, an **Inter-Fund Trade**)

(collectively, the **Requested Relief**).

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

- (a) The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) 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 other provinces of Canada (with Saskatchewan, the **Jurisdictions**); and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 and NI 31-103 have the same meaning if used in this decision, unless otherwise defined.

The following terms used in this decision have the following meaning:

- (a) **NI 81-107** means National Instrument 81-107 *Independent Review Committee for Investment Funds*;
- (b) The **Pooled Funds** means, collectively, the investment funds managed by the Filer and distributed on a prospectus exempt basis to accredited investors or other investors pursuant to applicable prospectus exemptions; and
- (c) The **Segregated Accounts** means, collectively, the segregated accounts managed on a fully discretionary basis by the Filer for a client that is not a responsible person as defined in section 13.5 of NI 31-103, pursuant to discretionary portfolio management agreements executed by the client and the Filer.

Representations

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

1. The Filer is a corporation continued under the laws of Canada. Its head office is located in Regina, Saskatchewan.
2. The Filer is registered in each of the Jurisdictions and in Ontario as a portfolio manager and an exempt market dealer. It is also registered as an investment fund manager in Saskatchewan, Ontario, Quebec and Newfoundland and Labrador.
3. The Filer is not a reporting issuer in any province or territory of Canada and is not in default of securities legislation in any such jurisdiction.
4. The Filer services institutional clients across Canada and, through third-party distribution arrangements, private wealth clients. It is the eighth largest pension-asset manager in Canada and had \$33 billion in assets under management as of December 31, 2013.
5. The Filer manages twenty-six Pooled Funds, each of which is distributed to investors pursuant to exemptions from the prospectus requirements. The Filer is the

investment fund manager and the portfolio manager of the Pooled Funds. None of the Pooled Funds is a reporting issuer.

6. The Filer manages the assets of institutional clients in Segregated Accounts. These Segregated Accounts are held by clients who do not wish to invest in a Pooled Fund, but rather want the Filer to manage their assets directly on a discretionary basis according to a specified investment strategy.
7. The investment policy statements for the Pooled Funds set out the ways in which the Pooled Funds are managed by the Filer. Each Pooled Fund requires investors to make a minimum investment of \$5 million (although the Filer may exercise its discretion to accept lower amounts for investment). The Filer had approximately \$14.2 billion in assets under administration in the Pooled Funds (as of December 31, 2013).
8. The Filer requires an institutional client to have at least \$50 to 100 million in assets under administration by the Filer if the client wishes to set up a Segregated Account with the Filer. The Filer had approximately \$18.8 billion in assets under administration in the Segregated Accounts (as of December 31, 2013).
9. Prior to the coming into force of section 13.5(2)(b) of NI 31-103, the Filer had a “cross-trading” policy which set out the criteria that the Filer followed whenever it considered it in the best interests of its clients to trade securities between accounts. The Filer ended any cross-trading amongst its Pooled Funds and between a Pooled Fund and its Segregated Accounts when section 13.5 of NI 31-103 came into force.
10. Subsection 13.5(2) of NI 31-103 prevents Inter-Fund Trades between the Pooled Funds and between the Pooled Funds and the Segregated Accounts and the Filer is unable to rely on the exemption provided for in section 6.1 of NI 81-107 because the Pooled Funds are not subject to NI 81-107.
11. Since the coming into force of section 13.5 of NI 31-103, the Filer has arranged for securities of a Pooled Fund to be sold into the market through registered dealers from the Pooled Fund whenever such disposition was considered warranted by the Filer. When the Filer considered it appropriate for another Pooled Fund and/or Segregated Account to acquire the securities at the same time as they were being disposed of by the selling Pooled Fund or Segregated Account, the other Pooled Fund and/or the Segregated Accounts would incur brokerage commissions to acquire those securities. The trades for the selling Pooled Fund/Segregated Account and also for the purchasing Pooled Fund and/or the Segregated Account were not designated as “cross-trades”.
12. The Requested Relief will allow the Filer to cause a Pooled Fund to sell securities to another Pooled Fund and/or a Segregated Account(s) or a Segregated Account to sell securities to a Pooled Fund(s) as an Inter-Fund Trade on the conditions noted in this decision document, which will benefit the Pooled Funds and/or the Segregated Accounts in the following ways:

- (a) The Pooled Funds and/or the Segregated Accounts will incur lower commission payments.
 - (b) The Filer will be able to manage the particular assets being sold more effectively, including by increasing speed of execution of the trades and by reducing the transaction costs of the Pooled Funds and the Segregated Accounts.
13. Prior to carrying out any Inter-Fund Trades pursuant to the Requested Relief, the Filer will establish an independent review committee (**IRC**) for the Pooled Funds, with at least three members who will be independent of the Filer and its affiliates, with the assessment of independence being conducted as required for IRCs of investment funds that are subject to NI 81-107. The IRC established by the Filer for the Pooled Funds will have as part of its mandate, approving and, if approved, the on-going monitoring, of Inter-Fund Trading conducted by the Filer pursuant to this decision. The Filer will not conduct any Inter-Fund Trading that has not been approved by the IRC, which may provide standing instructions to the Filer to carry out Inter-Fund Trading in compliance with its written policies and procedures.
14. Inter-Fund Trades pursuant to the Requested Relief will be carried out in accordance with the Filer's written policies and procedures, which will be consistent with applicable securities legislation and this decision and will require the following:
- (a) Prior approval by the IRC of the Pooled Funds in respect of an Inter-Fund Trade. The IRC will consider the Inter-Fund Trade and will not approve it unless it has determined, after reasonable inquiry, the matters set out in section 5.2(2) of NI 81-107. The IRC and the Filer will comply with section 5.4 of NI 81-107 if the IRC provides such approval by way of standing instructions.
 - (b) Inter-Fund Trades will only occur when the Filer considers that this activity is in the best interests of the selling Pooled Fund/Segregated Account and the purchasing Pooled Fund and/or Segregated Account.
 - (c) Any proposed Inter-Fund Trade will be reviewed by a person of authority in the Filer's compliance department to determine that the transaction represents the business judgment of the Filer, uninfluenced by considerations other than the best interests of each of the Pooled Funds/Segregated Accounts and their respective investors.
 - (d) In respect of each Inter-Fund Trade, the securities to be delivered will meet the investment criteria of the purchasing Pooled Fund and/or the Segregated Account and therefore will be consistent with the investment objectives of the applicable Pooled Fund/Segregated Account.
 - (e) For the purpose of the Inter-Fund Trade, the securities being transferred will be valued at their "current market price" as such term is defined in section

6.1 of NI 81-107, with the exception that the Filer may use the last sale price for securities that are exchange-traded.

- (f) The Filer will keep written records of all Inter-Fund Trades conducted in each of its financial years, including records of each purchase and sale of securities and the names of the Pooled Funds and/or Segregated Accounts selling and purchasing the securities, as well as the terms thereof, in accordance with the form, accessibility and retention of records requirements as prescribed by section 11.6 of NI 31-103 and as contemplated in section 6.1(2)(g) of NI 81-107.
- (g) If a particular security is suitable for more than one Pooled Fund and/or one or more of the Segregated Accounts, then the Inter-Fund Trade will be conducted for all the applicable Pooled Funds/Segregated Accounts and each will acquire a proportionate share of the securities being transferred from the selling Pooled Fund/Segregated Account.
- (h) Any Inter-Fund Trade of securities that are listed on a stock exchange will be done in accordance with the “market integrity requirements” as such term is defined in section 6.1 of NI 81-107.
- (i) The Filer will not receive any compensation in respect of any Inter-Fund Trade and, in respect of any delivery of securities pursuant to an Inter-Fund Trade, the only charges that can be charged to an applicable Pooled Fund and/or Segregated Account will be the charges of a dealer contacted pursuant to the market integrity requirements noted above, and/or any charges levied by the applicable custodians.
- (j) Any Inter-Fund Trades conducted for a Segregated Account pursuant to the Requested Relief will be done only if the Filer has obtained the authorization of the Segregated Account for Inter-Fund Trading.
- (k) The Filer’s compliance department will monitor Inter-Fund Trading to ensure compliance with its policies and this decision.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted subject to the following conditions:

- (a) The Inter-Fund Trade is consistent with the investment objective of the Pooled Funds or the Segregated Accounts, as applicable;
- (b) The Filer, as manager of the Pooled Funds or the Segregated Accounts, refers the Inter-Fund Trade to the IRC in the manner contemplated by section 5.1 of NI 81-107 and the Filer, as manager of the Pooled Funds or the Segregated Accounts, and the IRC comply with section 5.4 of NI 81-107

in respect of any standing instructions the IRC provides in connection with the Inter-Fund Trade;

- (c) The IRC approves the Inter-Fund Trade in accordance with the terms of subsection 5.2(2) of NI 81-107;
- (d) If the transaction is with a Segregated Account, the investment management agreement or other documentation in respect of the Segregated Account contains or will contain the authorization of the client to engage in Inter-Fund Trades and such authorization has not been revoked; and
- (e) The Inter-Fund Trade complies with paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107, except that for purposes of paragraph (e) of subsection 6.1(2) in respect of exchange-traded securities, the Inter-Fund Trade is executed at the last sale price.



Dean Murrison
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