

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
MANITOBA and ONTARIO
(the Jurisdictions)**

AND

**IN THE MATTER OF
THE PROCESS FOR
EXEMPTIVE RELIEF APPLICATIONS IN MULTIPLE JURISDICTIONS**

AND

**IN THE MATTER OF
I.G. INVESTMENT MANAGEMENT, LTD. (the Manager)
and
INVESTORS CANADIAN CORPORATE BOND FUND ("the Fund")
(The Manager and the Fund are collectively referred to herein as "the Filers")**

DECISION

BACKGROUND

The securities regulatory authority or regulator in each of the Jurisdictions (the Decision Maker) in has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the Legislation) for an exemption under subsection 15.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) from s. 13.5 of NI 31-103 which prohibits a registered adviser from knowingly causing an investment portfolio managed by it to buy or sell securities of any issuer from or to the account of a responsible person, any associate of the responsible person or the portfolio manager in connection with the purchase and sale of mortgages between a related party and the Fund. (the Requested Relief).

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

- (a) The Manitoba Securities Commission is the principal regulator for this application;
- (b) the Filers have provided notice that section 4.7(1) of Multi-Lateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and the North West Territories; 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

Defined terms contained in National Instrument 14-101 *Definitions* and in MI 11-102 have the same meaning in this decision .

REPRESENTATIONS

This decision is based on the following facts represented by the Filers.

1. The Manager is also the portfolio advisor to, and trustee of, the Fund.
2. The Fund is a trust established under the laws of Manitoba and is subject to NI 81-102.
3. The net asset value of units of the Fund is calculated on a daily basis on each business day.
4. The Fund is an open-end mutual fund, and is a reporting issuer in each province and territory of Canada and is not on the list of defaulting issuers maintained under the Legislation.
5. The Manager is registered as an advisor, and has applied for registration as an investment fund manager under NI 31-103. The Manager provides portfolio management and investment advisory services to the Fund and is a responsible person for purposes of section 13.5(2) of NI 31-103.
6. The Fund's investment objective and strategies permits it to invest in mortgages.
7. NI 81-102 permits the Fund to invest up to 10% in Guaranteed Mortgages (as defined by NI 81-102).
8. The Fund is not subject to National Policy Statement No. 29 *Mutual Funds Investing in Mortgages* (NP29) as it will not invest more than 10% of its net assets in mortgages.
9. The Fund wishes to purchase Guaranteed Mortgages and the Manager wishes to source such mortgages from Investors Group Trust Co. Ltd. (and its affiliates) (the Related Party Mortgages).
10. Section 4.3 of NI 81-102 provides an exemption from the Self-Dealing Prohibition if the price payable for the security is not more or not less than the ask or bid price of the security as reported by an available public quotation in common use(the Self-Dealing Exemption).
11. The Fund cannot avail itself of the Self-Dealing Exemption as mortgage prices are not reported by an available public quotation in common use.
12. NP 29 (at paragraph 2.4 of Section III Not At Arm's Length Transactions) provides mortgage funds an exemption similar to the Self-Dealing Exemption provided mortgages

from a related party are acquired at a prescribed valuation method (the NP 29 Valuation Method).

13. Related Party Mortgages acquired by the Fund will be acquired in accordance with the NP 29 Valuation Method.
14. The Manager (or its affiliates) will repurchase from the Fund, at no loss to the Fund, any Related Party Mortgage that is in default
15. National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81-107) provides an exemption from the inter-fund self-dealing investment prohibitions, as defined under NI 81-107, to permit trades in securities between mutual funds. NI 81-107 does not, however, provide an exemption for principal trading in mortgages as contemplated by the Fund.
16. The Manager has appointed an independent review committee (IRC) under NI 81-107 for the Fund. The IRC of the Fund has considered the policies and procedures of the Manager and has determined the proposed transactions in Related Party Mortgages will achieve a fair and reasonable result for the Fund in accordance with section 5.2(2) of NI 81-107.
17. To the extent that the Fund is purchasing or selling Related Party Mortgages, this fact is set out, and will continue to be set out, in the annual information form of the Fund.
18. National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106) requires that the Fund prepare and file annual and interim management reports of fund performance that include a discussion of transactions involving related parties to the Fund. When discussing portfolio transactions with related parties, NI 81-106 requires the Fund to include the dollar amount of commission, spread, or any other fee paid to any related party in connection with a portfolio transaction.
19. NI 31-103 prohibits a Registered Adviser from knowingly causing an investment portfolio managed by it to buy or sell securities of any issuer from or to the account of a responsible person, any associate of the responsible person or the portfolio manager in connection with the purchase and sale of mortgages between a related party and the Fund.
20. The Filer is concurrently seeking relief from the self-dealing restrictions under NI 81-102.

DECISION

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

The decision of the Decision Makers under the Legislation is that Requested Relief is granted, provided that:

- (a) the purchase or sale of Related Party Mortgages is consistent with the investment objective and strategies of the Fund;
- (b) the Fund will acquire Related Party Mortgages in accordance with the NP 29 Valuation Method;
- (c) the IRC of the Fund has approved the transactions in Related Party Mortgages in accordance with subsection 5.2(2) of NI 81-107;
- (d) the Manager complies with section 5.1 of NI 81-107;
- (e) the Manager and the IRC of the Fund comply with section 5.4 of NI 81-107 for any standing instructions the IRC provides in connection with transactions in Related Party Mortgages;
- (f) the Fund keeps the written records required by section 6.1(2)(g) of NI 81-107;
- (g) the Manager (or an affiliate of the Manager) agrees to repurchase at the request of the Fund any Related Party Mortgage that is in default for an amount equal to the outstanding principal balance on those mortgages and any accrued and unpaid interest.



Robert B. Bouchard
Director-Corporate Finance
The Manitoba Securities Commission