



THE MANITOBA
SECURITIES
COMMISSION

DECISION

Order No. 7519

May 15, 2020

**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. ("IGIM" or the "Filer")**

and

MACKENZIE-IG CANADIAN CORPORATE BOND POOL (the "Fund")

Decision

BACKGROUND

The securities regulatory authority or regulator in each of the Jurisdictions (the "Decision Maker") has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "Legislation") for:

- (i) an exemption under subsection 15.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") from section 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 (as defined below) and the Fund; and
- (ii) an exemption under section 19.1 of National Instrument 81-102 *Investment Funds* ("NI 81-102") from section 4.2 of NI 81-102 in connection with transactions in mortgages between a Related Party (as defined below) and the Fund, (collectively, the "Exemption Sought").

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 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 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. The following additional terms shall have the following meanings:

- (i) "NI 81-107" means National Instrument 81-107 *Independent Review Committee for Investment Funds*; and
- (ii) "Related Party" means Investors Group Trust Co. Ltd. and its affiliates

REPRESENTATIONS

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

IGIM

1. IGIM is a corporation continued under the laws of Ontario It is or will be the trustee, the portfolio advisor and the manager of the Fund. The head office of IGIM is in Winnipeg, Manitoba.
2. IGIM is registered as a Portfolio Manager and an Investment Fund Manager in Manitoba, Ontario and Quebec and as an Investment Fund Manager in Newfoundland and Labrador.
3. IGIM and the mutual funds it manages or advises are not in default of any of the requirements of securities legislation of any of the provinces and territories of Canada

The Fund

4. The Fund will be a trust established under the laws of Manitoba and will be a reporting issuer under the securities legislation in each province and territory of Canada and subject to the requirements of NI 81-102. The Fund will file a simplified prospectus and annual information form prepared in accordance with National Instrument 81-101 – *Mutual Fund Prospectus Disclosure*, but will be distributed to accredited investors under National Instrument 45-106 – *Prospectus Exemptions*.
5. The net asset value of units of the Fund is or will be calculated on a daily basis on each business day.

6. IGIM provides or will provide 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. Mackenzie Financial Corporation, an affiliate of IGIM will act as a sub-advisor to the Fund.
7. The Fund's investment objective and strategies permit it to invest in mortgages.
8. IGIM has appointed an independent review committee ("IRC") under NI 81-107 for the Fund.
9. NI 81-102 permits the Fund to invest up to 10% in Guaranteed Mortgages (as defined by NI 81-102).
10. 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.
11. The Fund wishes to purchase Guaranteed Mortgages and IGIM wishes to source such mortgages from the Related Party (the "Related Party Mortgages").

Reasons for the Exemption Sought

12. Section 4.2 of NI 81-102 prohibits a mutual fund from purchasing a security from or selling a securities to an associated or an affiliate of the manager, portfolio adviser or trustee of the mutual fund (the "Self-Dealing Prohibition"). As such, the Self-Dealing Prohibition prohibits the Fund from purchasing mortgages from or selling mortgages to the Related Party.
13. 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").
14. The Fund cannot avail itself of the Self-Dealing Exemption as mortgage prices are not reported by an available public quotation in common use.
15. 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").
16. Related Party Mortgages acquired by the Fund will be acquired in accordance with the NP 29 Valuation Method.
17. IGIM (or its affiliates) will repurchase from the Fund, at no loss to the Fund, any Related Party Mortgage that is in default or is not a valid first mortgage.
18. In all circumstances, the decisions to purchase mortgages for the Fund's portfolio from the Related Party are made based on the judgement of responsible persons uninfluenced by considerations other than the best interests of the Fund.

19. 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.
20. The IRC of the Fund will consider the policies and procedures of IGIM and the Fund will not rely on the Exemption Sought until the IRC 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.
21. 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.
22. 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.
23. 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.

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 Exemption Sought is granted, provided that:

1. the purchase or sale of Related Party Mortgages is consistent with the investment objective and strategies of the Fund;
2. the IRC of the Fund has approved the transactions in Related Party Mortgages in accordance with subsection 5.2(2) of NI 81-107;
3. the Filer complies with section 5.1 of NI 81-107;
4. the Filer, as manager of the Fund, 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;
5. the Fund keeps the written records required by section 6.1(2)(g) of NI 81-107;
6. the Related Party Mortgages are acquired from the Related Party or sold to the

Related Party in accordance with NP 29 (or any successor policy or instrument) and disclosed in accordance with NP 29 (or any successor policy or instrument), including disclosure through inclusion in a document incorporated by reference into the prospectus of the Fund; and

7. the Filer (or an affiliate of the Filer) 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.



Christopher Besko
Director, General Counsel
The Manitoba Securities Commission