

**Headnote:**

Application for an exemption from the requirement in subsection 22(2) of the General Securities Rules to have a business office manager in Nova Scotia – A mutual fund dealer seeks relief from the requirement to have a manager for a Halifax business office who is a permanent resident of Nova Scotia – The registrant will appoint a branch manager resident in Ontario to be the branch manager for the Halifax business office as permitted under the by-laws of the Mutual Fund Dealers Association of Canada – This arrangement will be subject to compliance with the applicable rules and by-laws of the Mutual Fund Dealers Association of Canada.

**Applicable legislative provisions**

General Securities Rules, previously the Securities Regulations, subsections 20(2) and 22(2)

In the Matter of the Securities Act, R.S.N.S. 1989, c. 418,  
as amended (the “Act”)

And

In the Matter of  
DESJARDINS FINANCIAL SECURITY INVESTMENTS INC.

RULING

(Subsection 20(2) of the Securities Rules)

UPON the application of DESJARDINS FINANCIAL SECURITY INVESTMENTS INC. (“DFS INVESTMENTS”) to the Nova Scotia Securities Commission (the “Commission”) for a ruling pursuant to subsection 20(2) of the rules of the Commission deemed by subsection 150A (9) of the Act to have been made pursuant to section 150 of the Act (the “Securities Rules”) that DFS INVESTMENTS be exempted from the requirement of subsection 22(2) of the Securities Rules to have a business office manager in Nova Scotia;

AND UPON reading the application and the recommendation of staff of the Commission;

AND UPON DFS INVESTMENTS having represented to the Commission that:

1. DFS INVESTMENTS is a company incorporated under the laws of Quebec; its head office is located at 1150, de Claire Fontaine Street, Quebec City, Quebec, G1R 5G4;
2. DFS INVESTMENTS is registered in good standing as a firm in group savings plan brokerage and investment contract brokerage in the resident home province of Quebec and in Alberta, British Columbia, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador and Prince Edward Island as a mutual fund dealer. DFS INVESTMENTS is also registered in Ontario as a mutual fund dealer and a limited market dealer;
3. DFS INVESTMENTS' registration as a mutual fund dealer in Nova Scotia was granted on February 17, 1997;
4. DFS INVESTMENTS' business in Nova Scotia is to provide dealer services to clients that reside in Nova Scotia;
5. DFS INVESTMENTS is a member in good standing of the Mutual Fund Dealers Association of Canada (the "MFDA");
6. DFS INVESTMENTS salespersons are set up administratively in three different distribution networks ("SFL", "DFSIN" and "Network P") that are not linked nor related in any way to one another;
7. DFS INVESTMENTS has branches and sub-branches from its DFSIN network registered in Nova Scotia (Halifax, Truro, Dartmouth and Sydney);
8. DFS INVESTMENTS has salespersons from its DFSIN network registered in Nova Scotia as mutual fund representatives and as branch managers;
9. DFS INVESTMENTS currently does not have any branch or sub-branch from Network P registered in Nova Scotia;
10. DFS INVESTMENTS currently does not have any salesperson from Network P registered in Nova Scotia as a mutual fund representative or branch manager;
11. Network P was previously part of Performa Financial Group Ltd. and was acquired by DFS INVESTMENTS in mid-2006. Network P is made up of dually licensed representatives for both mutual funds and life and health insurance. On the life and health insurance side, the representatives are contracted with an MGA (Managing General Agent) and have access to any insurer they wish to deal with through their MGA. On the mutual fund side, the branch for these representatives

is the same as the offices of the MGA, and the MGA principal is usually the branch manager as well;

12. With respect to the DFSIN network, the representatives are contracted with Desjardins Financial Security Life Assurance Company for their life and health insurance business and the DFSIN location manager is usually the DFS INVESTMENTS branch manager for the mutual fund branch as well;
13. The DFSIN network was the existing distribution network of DFS INVESTMENTS prior to its acquisition of Network P from Standard Life Assurance Company;
14. The Network P and DFSIN are operating in a "near competition" environment where salespersons and branch managers from one network never interact nor mix together with people from the other network. There is competition between the two networks in all areas of financial services and the methods of compensation are different for each network;
15. DFS INVESTMENTS has determined that its business in Nova Scotia could benefit by the opening of a Network P sub-branch office in Halifax, Nova Scotia (the "New Halifax Office"). Jason Payne ("Payne") will be the only salesperson from Network P conducting business from the New Halifax Office;
16. Payne has successfully written the branch manager's course in order to get the appropriate proficiencies to become registered as the Network P branch manager for the New Halifax Office;
17. Payne does not currently hold the experience requirements set out in MFDA Rule 1.2.2.b to act as branch manager since he has not acted as a salesperson, trading partner, director, officer or compliance officer registered under the applicable securities legislation for a minimum of two years;
18. Pursuant to MFDA BY-LAW NO. 1 (as amended by By-laws Nos. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13), MFDA Rules 1.2.2. and 2.5.3., DFS INVESTMENTS is not required to designate a branch manager for a sub-branch office who is normally present at the office, provided that a branch manager who is not normally present at such sub-branch office, or a trading partner, director or officer or a compliance officer designated as the branch manager for such sub-branch office, supervises its business at the sub-branch office in accordance with the by-laws and rules;
19. At the present time, the limited nature of DFS INVESTMENTS' business from Network P in Nova Scotia would make it difficult for DFS INVESTMENTS to comply with subsection 22(2) of the Securities Rules to have a business office

manager from Network P who is a permanent resident of Nova Scotia. This ruling will enable Payne to acquire the proficiency to be registered as the branch manager of the New Halifax Office;

20. DFS INVESTMENTS proposes to have the Nova Scotia salespersons from Network P supervised by a DFS INVESTMENTS branch manager resident and registered in the branch office in Ottawa, Ontario (the "Branch Manager"), who would carry out the duties of a business office manager for the New Halifax Office in compliance with the MFDA by-laws and rules. Currently, the Branch Manager will be Arnold Scheerder who resides and will continue to reside in his home jurisdiction of Ontario. This arrangement has been approved by the MFDA; and
21. DFS INVESTMENTS has made the necessary arrangements in order to comply with the statutory and other obligations to its clients in Nova Scotia, including the adoption of a compliance plan and specific policies and procedures to ensure the adequate supervision and review by the Branch Manager of all trading activities of the Nova Scotia salespersons from Network P conducted at the New Halifax Office.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS RULED pursuant to subsection 20(2) of the Securities Rules that DFS INVESTMENTS is exempt from the requirement of subsection 22(2) of the Securities Rules to maintain a business office manager resident in Nova Scotia for the New Halifax Office provided that:

1. DFS INVESTMENTS is a member in good standing of the MFDA;
2. The securities, funds and other assets of Nova Scotia resident clients of DFS INVESTMENTS, insofar as those securities, funds and other assets relate to trading done by or advice given by DFS INVESTMENTS, are held in such a manner as the Director may specify when the Director considers it appropriate to so specify;
3. DFS INVESTMENTS has a business office in Ontario (the "Business Office"). The Business Office is managed by the Branch Manager who is registered in his home jurisdiction of Ontario and in Nova Scotia in a category similar to the registration held in Ontario;
4. All partners, directors, officers and salespeople of DFS INVESTMENTS who are required to be registered in Nova Scotia are registered in Nova Scotia in a category similar to the registration they hold in Quebec;

5. The Nova Scotia salespersons of DFS INVESTMENTS in the New Halifax Office are supervised by the Branch Manager and are the only registered salespersons of DFS INVESTMENTS from Network P resident in Nova Scotia;
6. The Branch Manager is designated as the branch manager of the New Halifax Office under the MFDA by-laws and rules;
7. The New Halifax Office is approved by the MFDA as a sub-branch office of DFS INVESTMENTS under the MFDA by-laws and rules;
8. The New Halifax Office is the only sub-branch office of DFS INVESTMENTS' Network P in Nova Scotia;
9. DFS INVESTMENTS promptly notifies the Director if there are any terms, conditions or restrictions imposed at any time on the registration of DFS INVESTMENTS or any of its partners, directors, officers and salespeople who are registered in Nova Scotia, by the securities regulator in Quebec (the "Regulator") or the MFDA or if the Regulator or MFDA reprimands any of those registrants;
10. DFS INVESTMENTS promptly notifies the Director if it employs a Nova Scotia resident as a business office manager for the New Halifax Office;
11. DFS INVESTMENTS files with the Director such reports relating to its activities with respect to Nova Scotia resident clients as the Director may require, from time to time;
12. DFS INVESTMENTS files a duly executed submission to jurisdiction and appointment of agent for service of process substantially in the form attached as Appendix A to Nova Scotia Blanket Order No. 31-504 ("BO 31-504");
13. DFS INVESTMENTS files with the Director a written undertaking substantially in the form attached as Appendix B to BO 31-504 and complies with the undertaking;
14. DFS INVESTMENTS agrees to the imposition of any additional conditions of registration that arise from any policies or rules adopted by the Commission regarding non-resident domestic dealers; and
15. This ruling will terminate on the occurrence of the earliest of the following:
  - (i) the closing of the New Halifax Office;
  - (ii) the hiring by DFS INVESTMENTS for its Network P of another salesperson holding the proper proficiencies to act as branch manager for the New Halifax

Office and the registration of this person as a branch manager for the New Halifax Office; or  
(iii) March 1, 2010.

DATED at Halifax, Nova Scotia, this 5th day of March, 2008.

NOVA SCOTIA SECURITIES COMMISSION

"R. Daren Baxter"

"Paul F. Radford"