

**GENERAL RULING/ORDER 91-905**  
**CERTAIN INTERESTS IN GOVERNMENT SECURITIES**

IN THE MATTER OF  
*THE SECURITIES ACT, 1988, S.S. 1988, c. S-42.2*

AND

IN THE MATTER OF  
CERTAIN INTERESTS IN GOVERNMENT SECURITIES

ORDER AND RULING  
(Section 158(3) and Section 83)

WHEREAS an application was made by certain interested parties to the Saskatchewan Securities Commission (the "Commission") for an order pursuant to section 21 of *The Securities Act, R.S.S. 1978, c. S-42* (the "Old Act") that trades in certain interests in government securities shall not be subject to the provisions of sections 6 and 42 of the Old Act;

AND WHEREAS the Commission has been advised that there may be sold in Saskatchewan undivided interests, and/or deposit receipts, trust receipts or other documents evidencing such interests, (collectively, "Bond Interests"), in pools consisting of bonds, debentures or other evidences of indebtedness of or guaranteed by the Government of Canada or a province of Canada (the "Underlying Securities") and cash, all of which will be held on behalf of owners of Bond Interests by a Canadian bank or trust company or other financial institution approved by the Commission (the "Custodian or Depository");

AND WHEREAS the pools of Underlying Securities and cash to which Bond Interests will relate will at all times be held within Canada;

AND WHEREAS the Commission has issued an Order dated November 7, 1988 (the "Zero Coupon Strip Bonds Order") which defined "Strip Bonds" to mean "bonds, debentures and other evidences of indebtedness referred to in section 39(2)(a)(i) of the Act where the purchaser's sole entitlement is to receive a fixed amount of money at a specific future date, and certificates or receipts representing same", and which exempted from the registration and prospectus requirements of the Act trades and distributions of "Strip Bonds" (as defined in the Zero Coupon Strip Bonds Order);

AND WHEREAS Bond Interests will entitle owners thereof to receive periodic payments representing their proportionate interest in payments of principal and interest made in respect of the Underlying Securities and, therefore Bond Interests would not constitute Strip Bonds for the purposes of the Zero Coupon Strip Bonds Order and trades and distributions of Bond Interests would not fall within the ambit of the Zero Coupon Strip Bonds Order;

AND WHEREAS Bond Interests are to be offered on a basis whereby, if all payments of principal and interest required under the terms of the Underlying Securities are made to the Custodian or Depository in accordance with such terms, the Custodian or Depository, will, at any given time, be in possession of cash or principal amounts of securities described in section 39(2)(a)(i) of the Act sufficient in the aggregate, without reinvestment to meet all payments which will fall due under the Bond Interests prior to the next date upon which the Custodian or Depository is entitled to receive a payment of principal or interest required under the Underlying Securities;

AND WHEREAS the Commission has determined that it is in the public interest that trades and distributions of Bond Interests representing the Underlying Securities should be exempted from the registration and prospectus requirements of the Act on substantially the same basis as trades and distributions of Strip Bonds;

AND WHEREAS an Order was made on March 24, 1987 (the "1987 Order");

AND WHEREAS similar Orders have been made by other securities administrators in Canada including the Ontario Securities Commission;

AND WHEREAS *The Securities Act, 1988*, S.S. 1988, c. S-42.2 (the "Act") was proclaimed on November 7, 1988 and the Old Act was repealed;

AND WHEREAS the Commission is of the opinion that it would be beneficial to restate and amend the 1987 Order to bring it into conformity with the Act;

AND WHEREAS the Commission is satisfied that to do so would not be prejudicial to the public interest;

IT IS HEREBY ORDERED pursuant to sections 158(3) and 83 of the Act that:

1. A trade of Bond Interests representing the Underlying Securities is not subject to section 27 of the Act and a distribution of Bond Interests is not subject to section 58 of the Act provided that an information document satisfactory to the Commission describing the investment attributes of Bond Interests, including, without limitation, the income tax consequences of investing and trading in Bond Interests, the anticipated secondary market environment and the custodial arrangements relating to such Bond Interests, is furnished to, and its receipt is acknowledged by, a first-time purchaser prior to the trade where the vendor is not registered in the categories of investment dealer or broker under the Act, and concurrently with the delivery of confirmation of the trade of first-time purchasers where the vendor is registered in the categories of investment dealer or broker under the Act;
2. This Order and Ruling is effective at and from the 7th day of November, 1988 and the 1987 Order shall cease to have effect as and from the 7th day of November, 1988;

DATED at the City of Regina, in the Province of Saskatchewan, this 7th day of November, 1988.

"Marcel de la Gorgendière"  
Marcel de la Gorgendière, Q.C.  
Chairperson