

GENERAL RULING/ORDER 91-906 STRIP BONDS

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

AND

IN THE MATTER OF STRIP BONDS

RULING & ORDER

WHEREAS the Saskatchewan Securities Commission (the "Commission") has assigned to the Director of the Commission the power to make exemption orders and rulings under provisions of *The Securities Act, 1988* (the "Act") including orders and rulings of general application;

AND WHEREAS the staff of the Commission have applied to the Director for a ruling pursuant to section 83 of the Act that the registration requirement in section 27 and the prospectus requirement in section 58 do not apply to trades in strip bonds;

AND WHEREAS on February 27, 1985 the Commission made Local Policy Statement 1.2 Strip Bonds ("LP 1.2") along with General Ruling/Order 91-801 Zero Coupon Strip Bonds Order ("GRO 91-801") which provide an exemption from the registration and prospectus requirements for trades in strip bonds on the condition that purchasers be provided with a disclosure document;

AND WHEREAS it is beneficial to combine and update LP 1.2 and GRO 91-801 into a new general ruling and order;

AND WHEREAS the Director is of the opinion that it would not be prejudicial to the public interest to make this ruling and order;

IT IS HEREBY ORDERED that in this ruling and order:

"strip bond" means:

(a) actual individual interest coupons and residues arising from the physical separation of bonds, debentures or other evidence of indebtedness issued or guaranteed by:

(i) the Government of Canada;

(ii) a province of Canada; or

(iii) a country or political division of a country recognised by the Commission pursuant to subclause 39(2)(a)(i.1) of the Act; and

(b) deposit receipts or other certificates representing an interest in certain specific instruments of the type referred to in (a) or an undivided interest in a pool of these instruments;

if the purchaser's sole entitlement is to receive a fixed amount of money at a specific future date; and

“strip bond information statement” means a document accepted by the Director which clearly describes:

- (a) the nature of strip bonds, the rights of holders of strip bonds and how strip bonds differ from conventional interest-bearing debt securities;
- (b) the fluctuations, and volatility of fluctuations, in the market price and value of strip bonds resulting from fluctuations in interest rates;
- (c) the effect on the volatility of fluctuations referred to in clause (b) associated with the time to maturity of strip bonds;
- (d) the secondary market for strip bonds and underlying bonds;
- (e) custodial arrangements for strip bonds and underlying bonds;
- (f) the Canadian federal income tax consequences of buying, selling and holding strip bonds; and
- (g) the existence of dealer mark-ups or commissions on the purchase and sale of strip bonds and the impact, illustrated in tabular form, of different mark-ups or commissions on the yield to maturity of a strip bonds;

AND IT IS RULED pursuant to section 83 of the Act that sections 27 and 58 of the Act do not apply to a trade in or distribution of strip bonds if a strip bond information statement is provided to a first-time purchaser as follows:

- (a) if the vendor is not registered under the Act, before the trade the vendor must provide the first-time purchaser with the strip bond information statement and the purchaser must acknowledge receiving it; or
- (b) if the vendor is registered under the Act, the vendor must provide the first-time purchaser with the information statement no later than with the confirmation of the trade.

AND IT IS ORDERED that pursuant to section 158 of the Act that GRO 91-801 is repealed.

DATED June 6, 2002.

“Barbara Shourounis”

Barbara Shourounis
Director