

**GENERAL RULING/ORDER 91-801
ZERO COUPON STRIP BONDS ORDER**

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

AND

IN THE MATTER OF
ZERO COUPON STRIP BONDS ORDER

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

WHEREAS an application was made in February 1985 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 Zero Coupon Strip Bonds (as hereinafter defined) shall not be subject to the provisions of sections 6 and 42 of the Old Act;

AND UPON it appearing to the Commission that there are being sold in Saskatchewan certain bonds, debentures and other evidences of indebtedness referred to in paragraph 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 the same (collectively "Strip Bonds"), such Strip Bonds generally being derived from the physical separation of individual interest coupons from the underlying bond residue;

AND UPON the Commission having determined it is in the public interest that the sale of Strip Bonds in Saskatchewan should be effected only where accompanied by adequate disclosure of the investment attributes of such securities;

AND WHEREAS an Order was made on February 27, 1985 (the "1985 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*The Securities Act, 1988, S.S. 1988, c. S-42.2* (the "Act") was proclaimed effective November 7, 1988 and the Old Act repealed;

AND WHEREAS the Commission is of the opinion that it would be beneficial to restate and amend the 1985 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;

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

1. A trade of Strip Bonds is not subject to section 27 of the Act and a distribution of Strip Bonds is not subject to section 58 of the Act, provided that an information document satisfactory to the Director of the Commission describing the investment attributes of Strip Bonds, including, without limitation, the fluctuations in value of Strip Bonds resulting from the fluctuations in prevailing interest rates, the income tax consequences of investing and trading in Strip Bonds, the anticipated secondary market environment and the custodial arrangements relating to such Strip Bonds, 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 to first-time purchasers when the vendor is registered in the categories of investment dealer or broker under the Act;
2. This Order and Ruling is effective as and from the 7th day of November, 1988 and the 1985 Order shall cease to have effect as and from the 7th day of November, 1988;
3. This Order and Ruling may be cited as General Ruling/Order 11 (Zero Coupon Strip Bonds Order, 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.
Vice-Chairman