

## NOTICE

### Repeal of General Ruling/Order 91-901 Recognized Options Rationalization Order

On December 22, 1998 the Saskatchewan Securities Commission repealed General Ruling/Order 91-901 Recognized Options Rationalization Order ("GRO 91-901"). The Commission repealed GRO 91-901 because it concluded that the exemptions contained in the GRO 91-901 are no longer required because of amendments in 1996 to *The Securities Act, 1988* (the "Act").

GRO 91-901 exempts trades by recognized dealers (as defined in the GRO) in recognized options (as defined in the GRO) from the prospectus requirements of the Act if they give the required risk disclosure statements to their customers.

GRO 91-901 also exempts trades in recognized options through recognized dealers from the registration requirements of the Act. This is except for recognized options on equities and other securities for which registration for trading such underlying securities is generally required under the Act. The registration exemption is conditional on salespersons of dealers trading under the exemption being registered and having completed a training course on options.

Recognized options are exchange contracts as defined in clause 2(1)(s.2) of the Act, as amended. Exchange contracts are excluded from the definition of security under subclause 2(1)(ss)(xvi) as amended.

The prospectus requirement in section 58 of the Act applies to securities, but not to exchange contracts. The registration requirement in section 27 of the Act does apply to trading in exchange contracts. But section 39.1 of the Act provides an exemption from section 27 to a person or company trading in an exchange contract acting solely through an agent who is a registered dealer.

However, section 55.2 of the Act requires a registered dealer or adviser to provide a risk disclosure statement to a customer before opening an account for trading in exchange contracts. The risk disclosure statement must be prepared in accordance with section 35.2 of *The Securities Regulations* (the "Regulations").

Staff of the Commission have concluded that the risk disclosure statements required under Ontario Securities Commission Rule 91-902 Trading in Recognized Options complies with the requirements set out in section 35.2 of the Regulations.

December 22, 1998

Reference:

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