

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) the government of a foreign jurisdiction if the bond, debenture or other evidence of indebtedness has an approved credit rating from an approved credit rating organization, as those terms are defined in National Instrument 81-102 *Mutual Funds*; 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.

AMENDED November 7, 2007

"Barbara Shourounis"

Barbara Shourounis
Director