



**Securities  
Commission**

**Blanket Order No. 32A**

**IN THE MATTER OF THE SECURITIES ACT,  
R.S.N.S. 1989, CHAPTER 418, AS AMENDED**

**- AND -**

**IN THE MATTER OF  
REAL RETURN BOND STRIP BONDS**

**ORDER AND RULING**  
**(Section 151 and Subsection 79(1))**

**UPON** the application of certain interested parties (the "Interested Parties") to the Nova Scotia Securities Commission (the "Commission") for an order pursuant to section 151 of the Securities Act, R.S.N.S. 1989, c. 418, as amended (the "Act") revoking Blanket Order No. 32 dated November 10, 1993 ("Blanket Order No. 32") which exempted from sections 31 and 58 of the Act the distribution of RRB Strip Bonds (as hereinafter defined) subject to certain terms and conditions;

**AND UPON** the application of the Interested Parties to the Commission for a ruling pursuant to subsection 79(1) of the Act exempting from sections 31 and 58 of the Act the distribution of RRB Strip Bonds, subject to terms and conditions varied from those contained in Blanket Order No. 32;

**AND UPON** considering the application and the recommendation of staff of the Commission;

**AND UPON** it being represented by the Interested Parties to the Commission that:

1. the Government of Canada has distributed 4.25% real return bonds (the "Bonds") due December 1, 2021 in the aggregate principal amount of \$1.525 billion, and intends to distribute a further \$600 million principal amount of the Bonds for settlement on December 1, 1993. The Government of Canada may, from time to time, distribute additional tranches of the Bonds (all of the Bonds described in this paragraph are collectively referred to as the "Underlying Bonds");



the Underlying Bonds bear interest adjusted in relation to the All-items Consumer Price Index for Canada (the "CPI"). Interest on the Underlying Bonds consists of an inflation compensation component ("Inflation Compensation") which, in effect, causes the nominal principal amount of the Underlying Bonds ("Principal") payable on December 1, 2021 ("Maturity"), to be increased or decreased based upon changes to the CPI, and a cash entitlement ("Coupon Interest") calculated based on Principal and accrued Inflation Compensation, which Coupon Interest is payable in semi-annual instalments on June 1 and December 1 in each year. At Maturity, in addition to Coupon Interest payable on such date, a final payment equal to the sum of Principal plus Inflation Compensation accrued from December 10, 1991 to Maturity (whether positive or negative) will be made;

the Underlying Bonds constitute direct, unsecured, unconditional obligations of Her Majesty in Right of Canada, and are direct charges on, and payable out of, the Consolidated Revenue Fund of Canada. The Underlying Bonds rank *pari passu* and are payable rateably, without any preference or priority, with other obligations in respect of borrowed money payable from the Consolidated Revenue Fund of Canada;

from time to time, certain registered dealers and Financial Intermediaries (as defined below) may establish a strip securities program in relation to the Underlying Bonds, whereby investors will be able to purchase either a specified Coupon Interest payment or the ultimate payment of Principal and accrued Inflation Compensation (collectively, "RRB Strip Bonds") which shall be derived from the Underlying Bonds;

the RRB Strip Bonds do not qualify as "Strip Bonds" under Blanket Order No. 3 (the "Blanket Order") of the Commission dated January 13, 1988, and annexed as Appendix A to Local Policy No. 1.2, since, due to the Inflation Compensation, a purchaser of an RRB Strip Bond will not be entitled to receive a "fixed amount of money at a specific future date" within the meaning of the Blanket Order; and

absent this ruling, a bank, a loan company, a trust company, an insurance company or a credit union within the meaning of the Credit Union Act of Nova Scotia (each a "Financial Intermediary") would be precluded from trading in RRB Strip Bonds;

**AND UPON** the Commission being satisfied that to do so would not be prejudicial to the public interest;

**IT IS ORDERED** pursuant to section 151 of the Act that Blanket Order No. 32 be and is hereby revoked.

**IT IS RULED** pursuant to subsection 79(1) of the Act that: (i) section 31 of the

Act shall not apply to trades of RRB Strip Bonds by a Financial Intermediary; and (ii) section 58 of the Act shall not apply to the distribution of RRB Strip Bonds, provided that:

no trades are confirmed and no funds are accepted from prospective purchasers of RRB Strip Bonds until an information statement (the "Information Statement") relating to the RRB Strip Bonds approved by the Investment Dealers Association of Canada has been approved by the Director of Securities;

the Information Statement is sent by the vendor by prepaid mail or otherwise to each first-time purchaser of RRB Strip Bonds on or before such purchaser entering into an agreement of purchase and sale for RRB Strip Bonds; and

the first trade and each subsequent trade in an RRB Strip Bond distributed pursuant to this ruling, other than a trade to a registered dealer or Financial Intermediary, is hereby specified, pursuant to subsection 80(5) of the Act, to be a distribution unless the Information Statement is sent by the vendor by prepaid mail or otherwise to each first-time purchaser of RRB Strip Bonds on or before such purchaser entering into an agreement of purchase and sale for RRB Strip Bonds.

**DATED** at Halifax, Nova Scotia this 24th day of November, 1993.

**NOVA SCOTIA SECURITIES COMMISSION**

**"Robert B. MacLellan"**

Robert B. MacLellan, Chairman

**"H. Leslie O'Brien"**

H. Leslie O'Brien, Vice Chairman

**"C. William Gurnham"**

C. William Gurnham, Esq.



**Securities  
Commission  
Blanket Order No. 32**

**IN THE MATTER OF THE SECURITIES ACT,  
R.S.N.S. 1989, CHAPTER 418, AS AMENDED**

**- AND -**

**IN THE MATTER OF  
REAL RETURN BOND STRIP BONDS**

**RULING  
(Subsection 79(1))**

**UPON** the application of certain interested parties (the "Interested Parties") to the Nova Scotia Securities Commission (the "Commission") pursuant to subsection 79(1) of the Securities Act, R.S.N.S. 1989, c. 418, as amended (the "Act") for a ruling exempting from sections 31 and 58 of the Act the distribution of RRB Strip Bonds (as hereinafter defined);

**AND UPON** considering the application and the recommendation of staff of the Commission;

**AND UPON** it being represented by the Interested Parties to the Commission that:

1. the Government of Canada has distributed 4.25% real return bonds (the "Bonds") due December 1, 2021 in the aggregate principal amount of \$1.525 billion, and intends to distribute a further \$500 million principal amount of the Bonds for settlement on or before December 31, 1993. The Government of Canada may, from time to time, distribute additional tranches of the Bonds (all of the Bonds described in this paragraph are collectively referred to as the "Underlying Bonds");
2. the Underlying Bonds bear interest adjusted in relation to the All-items Consumer Price Index for Canada (the "CPI"). Interest on the Underlying Bonds consists of an inflation compensation component ("Inflation Compensation") which, in effect, causes the nominal principal amount of the Underlying Bonds ("Principal") payable on December 1, 2021 ("Maturity"), to be increased or decreased based upon changes to the CPI, and a cash entitlement ("Coupon Interest") calculated

based on Principal and accrued Inflation Compensation, which Coupon Interest is payable in semi-annual instalments on June 1 and December 1 in each year. At Maturity, in addition to Coupon Interest payable on such date, a final payment equal to the sum of Principal plus Inflation Compensation accrued from December 10, 1991 to Maturity (whether positive or negative) will be made;

the Underlying Bonds constitute direct, unsecured, unconditional obligations of Her Majesty in Right of Canada, and are direct charges on, and payable out of, the Consolidated Revenue Fund of Canada. The Underlying Bonds rank *pari passu* and are payable rateably, without any preference or priority, with other obligations in respect of borrowed money payable from the Consolidated Revenue Fund of Canada;

from time to time, certain registered dealers and Financial Intermediaries (as defined below) may establish a strip securities program in relation to the Underlying Bonds, whereby investors will be able to purchase either a specified Coupon Interest payment or the ultimate payment of Principal and accrued Inflation Compensation (collectively, "RRB Strip Bonds") which shall be derived from the Underlying Bonds;

the RRB Strip Bonds do not qualify as "Strip Bonds" under Blanket Order No. 3 (the "Blanket Order") of the Commission dated January 13, 1988, and annexed as Appendix A to Local Policy No. 1.2, since, due to the Inflation Compensation, a purchaser of an RRB Strip Bond will not be entitled to receive a "fixed amount of money at a specific future date" within the meaning of the Blanket Order; and

absent this ruling, a bank, a loan company, a trust company, an insurance company or a credit union within the meaning of the Credit Union Act of Nova Scotia (each a "Financial Intermediary") would be precluded from trading in RRB Strip Bonds;

**AND UPON** the Commission being satisfied that to do so would not be prejudicial to the public interest;

**IT IS RULED** pursuant to subsection 79(1) of the Act that: (i) section 31 of the Act shall not apply to trades of RRB Strip Bonds by a Financial Intermediary; and (ii) section 58 of the Act shall not apply to the distribution of RRB Strip Bonds, provided that:

A. no trades are confirmed and no funds are accepted from prospective

purchasers of RRB Strip Bonds until an information statement (the "Information Statement") relating to the RRB Strip Bonds approved by the Investment Dealers Association of Canada has been approved by the Director of Securities;

the Information Statement is sent by the vendor by prepaid mail or otherwise to each first-time purchaser of RRB Strip Bonds before such purchaser enters into an agreement of purchase and sale or subscription for RRB Strip Bonds or not later than midnight on the second day, exclusive of Saturdays, Sundays, and holidays after entering into such agreement;

an agreement to purchase RRB Strip Bonds shall not be binding upon a purchaser if the vendor from whom the purchaser purchases the RRB Strip Bonds receives written or telegraphic notice evidencing the intention of the purchaser not to be bound by the agreement of purchase and sale not later than midnight on the second day, exclusive of Saturdays, Sundays and holidays, after receipt by the purchaser of the Information Statement, provided that where the Information Statement is sent by prepaid mail, it shall be deemed conclusively to have been received in the ordinary course of mail by the person or company to whom it was addressed; and

D. the first trade and each subsequent trade in an RRB Strip Bond distributed pursuant to this ruling, other than a trade to a registered dealer or Financial Intermediary, is hereby specified, pursuant to subsection 80(5) of the Act, to be a distribution unless:

- (i) the Information Statement is sent by the vendor by prepaid mail or otherwise to each first-time purchaser of RRB Strip Bonds before such purchaser enters into an agreement of purchase and sale or subscription for RRB Strip Bonds or not later than midnight on the second day, exclusive of Saturdays, Sundays, and holidays after entering into such agreement; and
- (ii) an agreement to purchase RRB Strip Bonds shall not be binding upon a purchaser if the vendor from whom the purchaser purchases the RRB Strip Bonds receives written or telegraphic notice evidencing the intention of the purchaser not to be bound by the agreement of purchase and sale not later than midnight on the second day, exclusive of Saturdays, Sundays and holidays, after receipt by the

purchaser of the Information Statement, provided that where the Information Statement is sent by prepaid mail, it shall be deemed conclusively to have been received in the ordinary course of mail by the person or company to whom it was addressed.

**DATED** at Halifax, Nova Scotia this 10th day of November, 1993.

**NOVA SCOTIA SECURITIES COMMISSION**

"Robert B. MacLellan"  
Robert B. MacLellan, Chairman

"H. Leslie O'Brien"  
H. Leslie O'Brien, Vice Chairman

"C. William Gurnham"  
C. William Gurnham, Esq.