

Blanket Order No. 91-501

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

-AND-

IN THE MATTER OF  
OVER THE COUNTER TRADES IN DERIVATIVES

ORDER  
(SECTION 151A)

WHEREAS:

1. Pursuant to amendments to the *Securities Act*, R.S.N.S. 1989, c. 418, as amended (the Act) proclaimed to have effect as of the date hereof, a person or company engaging in or holding himself, herself or itself out as engaging in the business of trading in derivatives or advising others as to the investing in or the buying or selling of derivatives is subject to the registration requirements set out in section 31 of the Act.
2. Unless otherwise defined in this Blanket Order, terms used in this Blanket Order that are defined in the Act or in National Instrument 14-101 *Definitions* have the same meaning in this Blanket Order.
3. In this order:

"**derivative-like security**" means a security as defined in the Act that also is an option, swap, future, forward or other financial or commodity contract or instrument whose market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest (including a value, price, index, event, probability or thing);

"**exchange contract**" means either of the following where its performance is guaranteed by a clearing agency and it is traded on an exchange pursuant to standardized terms and conditions set out in the bylaws, rules or regulations of that exchange at a price agreed on when the contract or option is entered into on the exchange:

- (a) an option;
- (b) an obligation to make or take future delivery of any of the following:
  - a. a commodity;
  - b. a security;

- c. cash if the amount of cash is derived from, or by reference to, a variable including any of the following:
  - i. a price or quote for a commodity or security;
  - ii. an interest rate;
  - iii. a currency exchange rate;
  - iv. an index or benchmark;

**"managed account"** means an account of a client for which a person or company

- (a) makes the investment decisions if that person or company has discretion to trade in securities or derivatives for the account without requiring the client's express consent to a transaction, and
- (b) if required by law, the person or company is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or of a foreign jurisdiction;

**"over-the-counter trade"** means a trade in a derivative or a derivative-like security, other than a trade in an exchange contract traded pursuant to the bylaws, rules or regulations of a securities or futures exchange;

**"physical commodity contract"** means a derivative or derivative-like security that is not an exchange contract and that both

- (a) contains an obligation to make or take future delivery of a commodity, other than cash or a currency, and
- (b) at the time it is traded, is intended by the counterparties to be settled by physical delivery of the commodity or by delivery of evidence of legal title to the commodity;

**"qualified party"** means any of the following, if acting as principal or as an agent or trustee on behalf of a managed account:

- (a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that statute;
- (b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (c) an authorized foreign bank in Schedule III of the *Bank Act* (Canada);

- (d) the Business Development Bank of Canada continued under the *Business Development Bank of Canada Act* (Canada);
- (e) a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser or investment dealer;
- (f) a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada), or by a pension commission or similar regulatory authority of a jurisdiction of Canada;
- (g) a wholly-owned subsidiary of a pension fund referred to in paragraph (f);
- (h) a person or company organized in a foreign jurisdiction that is analogous to a person or company referred to in any of paragraphs (a) to (g);
- (i) the government of Canada or of a jurisdiction of Canada;
- (j) a Crown corporation, agency or wholly owned entity of the government of Canada or of a jurisdiction of Canada whether acting as principal or as agent or trustee on behalf of such government or another entity or fund on whose behalf it is authorized to act;
- (k) a national, federal, state, provincial, territorial or municipal government of or in a foreign jurisdiction, or an agency of that government;
- (l) a municipality in Canada with a population in excess of 50,000 people and any Canadian provincial or territorial capital city;
- (m) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation of a jurisdiction of Canada or of a foreign jurisdiction, acting on behalf of a managed account;
- (n) a person or company acting on behalf of a managed account;
- (o) an investment fund if one or more of the following apply:
  - (i) each investor in the fund is a qualified party;
  - (ii) the fund is managed by a person or company registered as an investment fund manager under the securities legislation of a jurisdiction of Canada;
  - (iii) the fund is advised by a person or company authorized to act as an adviser under the securities legislation of a jurisdiction of Canada;

- (p) a person or company that buys, sells, trades, produces, markets, brokers or otherwise uses a commodity in its business and that executes an over-the-counter trade in a derivative or a derivative-like security provided that a material component of the underlying interest of the derivative or derivative-like security is any of the following:
  - (i) a commodity that the person or company buys, sells, trades, produces, markets, brokers or otherwise uses in the ordinary course of its business;
  - (ii) a commodity, security or variable that directly or indirectly affects the commodity that the person or company buys, sells, trades, produces, markets, brokers or otherwise uses in the ordinary course of its business;
  - (iii) a commodity, security or variable for which there is a high degree of correlation between the movement in its value and the movement in the value of the commodity that the person or company buys, sells, trades, produces, markets, brokers or otherwise uses in the ordinary course of its business;
  - (iv) another derivative or derivative-like security which is not listed for trading on an exchange, where a material component of the underlying interest of that other derivative or derivative-like security is a commodity, security or variable referred to in any of subparagraphs (i) to (iii);
- (q) a person or company to which, with its affiliates, either of the following applies:
  - (i) the person or company has executed one or more over-the counter trades in derivatives or derivative-like securities with counterparties that are not its affiliates, provided that each of the following applies:
    - (A) the trades had a total gross value of at least \$1 billion (or its equivalent in another currency) in notional principal amount;
    - (B) any of the derivatives or derivative-like securities relating to one of these trades was outstanding on any day within the 15 months prior to the trade;
  - (ii) the person or company had on any day since the date that is 15 months prior to the trade total gross marked-to-market positions of at least \$100 million (or its equivalent in another currency) aggregated across counterparties, in one or more over-the-counter trades in derivatives or derivative-like securities;
- (r) an individual who, either alone or with their spouse, has net assets, of at least \$5 million (or its equivalent in another currency), excluding the value of any principal residence;

- (s) a person or company other than an individual or an investment fund, that has total assets of at least \$25 million (or its equivalent in another currency) as shown on their most recently prepared annual financial statements or interim report;
- (t) a person or company that is directly or indirectly wholly owned (not taking into account securities required by law to be held by directors) by one or more qualified parties;
- (u) a person or company that directly or indirectly wholly owns (not taking into account securities required by law to be held by directors) a qualified party;
- (v) a person or company that is directly or indirectly wholly owned (not taking into account securities required by law to be held by directors) by a person or company referred to in paragraph (u);
- (w) a person or company directly or indirectly controlled by one or more qualified parties that are not individuals or investment funds;
- (x) a person or company whose obligations under the derivative or derivative-like security that is being traded are fully guaranteed by one or more qualified parties.

4. For the purposes of this order:

- a. a party is a qualified party if that party is a qualified party at the time the party enters into the over-the-counter trade; and
- b. a party entering into an over-the-counter trade with a party who claims to be a qualified party is entitled to rely on a representation by that party that the party is a qualified party, unless the first party has reasonable grounds to believe that the representation is false.

5. The Nova Scotia Securities Commission is of the opinion that to order relief in these circumstances would not be prejudicial to the public interest.

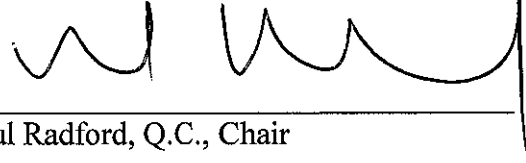
IT IS ORDERED, pursuant to subsection 151A(1) of the Act, that:

- (1) an over-the-counter trade in a derivative or a derivative-like-security is exempt from the registration requirement if either of the following applies:
  - a. each counterparty is a qualified party;
  - b. the trade is in a physical commodity contract; and

- (2) a distribution of a derivative-like security to a qualified party is exempt from the prospectus requirement.

DATED at Halifax, Nova Scotia, this 17<sup>th</sup> day of February, 2016.

NOVA SCOTIA SECURITIES COMMISSION

A handwritten signature in black ink, consisting of several loops and a vertical line on the right side, positioned above a horizontal line.

Paul Radford, Q.C., Chair