IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, MANITOBA, NEWFOUNDLAND AND LABRADOR, NOVA SCOTIA,
ONTARIO, QUEBEC AND SASKATCHEWAN

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
THE INVESTMENT DEALERS ASSOCIATION OF CANADA

AND

A STRIP BOND INFORMATION STATEMENT

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Alberta, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan (collectively, the "Jurisdictions") has received an application (the "Application") from the Investment Dealers Association of Canada (the "IDA") for a decision, pursuant to the securities legislation (the "Legislation") of each of the Jurisdictions, that the form of information statement dated June, 2003 (the "Revised Strip Bond Information Statement") submitted with the Application, and attached hereto as Schedule "A", is, depending upon the Jurisdiction, approved by, accepted by, or satisfactory to, the Decision Maker, for the purposes of the Revised Strip Bond Information Statement being delivered to purchasers of strip bonds in accordance with provisions (the "Information Statement Delivery Requirements") in the Legislation that require delivery of an information statement or document that has been approved or accepted by, or is satisfactory to, the Decision Maker;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for the Application;

AND WHEREAS the IDA has represented to the Decision Makers that:

1. The head office of the IDA is in Toronto, Ontario.

2. The IDA has prepared the Revised Strip Bond Information Statement and submitted it to the Decision Makers for this Decision in order that the Revised Strip Bond Information Statement

may be used by members of the IDA to satisfy certain Information Statement Delivery Requirements.

3. The IDA does not object to other market participants using the Revised Strip Bond Information Statement to satisfy Information Statement Delivery Requirements.

4. The Information Statement Delivery Requirements are contained in:

(i) requirements in the Legislation that must be satisfied in order for a person or company to be able to rely upon an exemption from the "dealer registration requirement", as defined in National Instrument 14-101 -- Definitions (the "National Definition Instrument"), or the "prospectus requirement", as defined in the National Definition Instrument, for trading in strip bonds; or

(ii) requirements in the Legislation applicable to trading by registrants in strip bonds.

5. The Revised Strip Bond Information Statement 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 paragraph (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 bond, and includes a statement inviting the prospective purchaser or seller of a strip bond to compare the yield to maturity of the strip bond, calculated after giving effect to any applicable dealer mark-up or commission, against the similarly calculated yield to maturity of a conventional interest-bearing debt security, and to inquire about the dealer's bid and ask prices for the subject strip bond.

6. The Revised Strip Bond Information Statement is substantially the same as an earlier information statement dated April, 1998 (the "Previous Strip Bond Information Statement"),

which was submitted by the IDA to the Decision Makers and, depending upon the Jurisdiction, approved or accepted by, or determined to be satisfactory to, the Decision Makers.

7. The Revised Strip Bond Information Statement differs from the Previous Strip Bond Information Statement in the following respects:

> (i) the section in the Revised Strip Bond Information Statement which identifies those strip bonds which are exempt from the registration and prospectus requirements of applicable securities legislation has been made more user friendly by specifically listing particular securities (whereas in the Previous Strip Bond Information Statement the corresponding section only described the general requirements for exemption);
>
> (ii) the discussion illustrating potential tax consequences has been updated to reflect current income tax rates; and
>
> (iii) the Revised Strip Bond Information Statement incorporates certain other minor drafting changes of a non-substantive nature.

8. Following the issuance of this Decision, the IDA will announce a date after which it will encourage its members to use the Revised Strip Bond Information Statement instead of the Previous Strip Bond Information Statement in order to comply with then applicable Information Statement Delivery Requirements.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Revised Strip Bond Information Statement is approved or accepted by, or is satisfactory to, the Decision Maker, for the purposes of the Information Statement Delivery Requirements.

July 28, 2003.

"Margo Paul"

Schedule A

STRIP BONDS AND STRIP BOND PACKAGES INFORMATION STATEMENT

INVESTMENT
DEALERS
ASSOCIATION
OF CANADA

This Information Statement is being provided as required by securities regulatory authorities in Canada to describe certain attributes of "strip bonds" and "strip bond packages".

Strip Bonds and Strip Bond Packages

In this Information Statement, the term "strip bond" refers to an interest in (i) the amount payable on account of principal, and/or (ii) an amount payable on account of interest, in respect of "Underlying Bonds". Underlying Bonds are certain government bonds which can be traded pursuant to an exemption from the registration and prospectus requirements of applicable securities legislation. For a trade in bonds not expressly exempted by the applicable securities legislation, an order or other form of acknowledgment may be sought from the applicable securities commission to proceed without complying with registration and prospectus requirements.

The following is a summary of certain government bonds which can be traded pursuant to an exemption from the registration and prospectus requirements of applicable securities legislation in particular provinces or territories (or in the case of the Yukon Territory, from the prospectus requirements only).

Canada, Provincial and Territorial Bonds

- In all provinces and territories, bonds issued or guaranteed by the Government of Canada or a province of Canada.

- In Alberta, British Columbia, New Brunswick, Nova Scotia, Newfoundland, Ontario, Prince Edward Island, Saskatchewan, the Northwest Territories, Nunavut and the Yukon Territory, bonds issued or guaranteed by a government of a territory in Canada.

Foreign Country Bonds

- In Alberta, Newfoundland, Nova Scotia, Ontario, Prince Edward Island, the Northwest Territories, Nunavut and the Yukon Territory, bonds issued or guaranteed by the government of any foreign country or a political division thereof.

- In British Columbia and Saskatchewan, bonds issued or guaranteed by the Government of the United Kingdom, the Government of the United States of America, a state or territory of the United States of America, or the District of Columbia in the United States of America.

- In Manitoba, bonds issued or guaranteed by the Government of the United States of America or the Government of the United Kingdom.

A strip bond entitles the holder to a single payment of a fixed amount in the future without the payment of any interest in the interim. The purchase price or present value of a strip bond is determined by discounting the amount of the payment to be received on the payment or maturity date of the strip bond by the appropriate interest rate or yield factor. Strip bonds are therefore different from conventional interest-bearing debt securities and purchasers of strip bonds should be aware of the special attributes of strip bonds as described in this Information Statement. Strip bonds may be purchased in various different forms as described below under "Custodial Arrangements".

In this Information Statement the term "strip bond package" refers to a security comprised of two or more strip bonds which are combined to make up a "bond-like" strip bond package or an "annuity-like" strip bond package. A bond-like strip bond package consists of a lump-sum payable at maturity, which is backed by an interest in a strip bond payable in respect of one or more Underlying Bonds, together with one or more interests in other strip bonds (usually interest payments) related to one or more Underlying Bonds, thereby creating an instrument that resembles, in its payment characteristics, a conventional bond. An annuity-like strip bond package differs from a bond-like strip bond package only to the extent that it does not include a lump-sum payment at maturity. Strip bond packages may be purchased in the form of several separate strip bonds or as one security in one of the forms described below under "Custodial Arrangements".

Price Volatility

As with conventional interest-bearing debt securities, the market price of strip bonds and strip bond packages will fluctuate with prevailing interest rates. Generally, the market price of conventional interest-bearing debt securities and of strip bonds and strip bond packages will fluctuate in the same direction: when prevailing interest rates rise above the yield of these instruments, their market price will tend to fall; conversely, when prevailing interest rates fall below the yield of these instruments, their market price will tend to rise.

However, the market price of a strip bond will be significantly more volatile than the price of a conventional interest-bearing debt security with the same credit risk and term to maturity. When prevailing interest rates rise, the market price of a strip bond will tend to fall to a greater degree than the market price of a conventional interest-bearing debt security with the same credit risk and term to maturity. Conversely, when prevailing interest rates fall, the market price of a strip bond will tend to rise to a greater degree than the market price of a conventional interest-bearing debt security with the same credit risk and term to maturity. The primary reason for such volatility is the fact that no interest is paid in respect of a strip bond prior to its maturity. There is, therefore, no opportunity to reinvest interest payments at prevailing rates of interest prior to maturity.

The table below compares changes in the prices of conventional interest-bearing debt securities and strip bonds. The table shows, on a hypothetical basis, the difference in price fluctuation as a result of fluctuations in prevailing interest rates between, on the one hand, 5-year and 20-year $100 face amount conventional bonds bearing interest at 6% payable semi-annually, and, on the other hand, 5-year and 20-year $100 face amount strip bonds priced to yield 6%. It will be noted that the longer the term to maturity of the bond or the strip bond, the more volatile its market price will be.

Market Price Volatility

	Market price	Market yield	Price with rate dropto 5%	% price change	Price with rate increase to 7%	% price change
6% 5 Year Bond	$100.00	6.00%	$104.38	+ 4.38%	$95.84	- 4.16%
5 Year Strip Bond	74.41	6.00	78.12	+ 4.99	70.89	- 4.73
6% 20 Year Bond	100.00	6.00	112.55	+ 12.55	89.32	- 10.68
20 Year Strip Bond	30.66	6.00	37.24	+ 21.49	25.26	- 17.61

In contrast to strip bonds, the income stream received on a strip bond package prior to maturity or the final payment date may be reinvested at the then prevailing interest rates. Therefore, the market price of a strip bond package will not be as volatile as the market price of a strip bond with the same credit risk and term to maturity or final payment date. However, it may be more volatile than the market price of a conventional interest-bearing debt security with the same credit risk and term to maturity.

Secondary Market and Liquidity

Strip bonds, strip bond packages and Underlying Bonds do not trade in Canada in an auction market similar to that for shares listed on a stock exchange. Instead, strip bonds, strip bond packages and Underlying Bonds trade in dealer or over-the-counter markets similar to those for most conventional debt securities.

Certain strip bonds and strip bond packages that are available in Canada are offered by groups of investment dealers or financial institutions which may make markets for the strip bonds and strip bond packages they offer, although they are not obligated to do so. There can be no assurance that a market for particular strip bonds or strip bond packages will be available at any given time. In such circumstances, purchasers may have to hold their strip bonds and strip bond packages to maturity or final payment date in order to realize their investment.

The market for Underlying Bonds is more liquid than the market for strip bonds and strip bond packages. Total turnover in Canadian federal and provincial bonds totalled $3.6 trillion in 2000, with trading in Canadian federal bonds accounting for 92 percent of this amount. The average daily turnover of Government of Canada bonds amounted to $13 billion in 2000, in proportionate terms roughly equivalent to the average daily turnover of U.S. treasury bonds which is generally considered to be the most liquid market in the world.

Government of Canada bonds with 2, 5, 10 and 30-year maturities (i.e., the so-called benchmark issues) account for most of the trading activity in this market and are the most liquid Government of Canada securities. The benchmark issues trade with the tightest bid-offered spread, with spreads widening for securities with different maturities than the benchmark issues. The market for provincial and territorial government securities is less liquid than the market for Government of Canada securities. Securities issued by the larger provinces with significant borrowing requirements are more liquid than securities issued by the smaller provinces, or the territories.

Custodial Arrangements

Purchasers may purchase strip bonds and strip bond packages in four forms:

- A book-entry position created by The Canadian Depository for Securities Limited (CDS) which represents an undivided interest in the relevant interest and/or principal payment(s) to be made in respect of one or more Underlying Bonds held by CDS. This is the most common form of ownership today.

- A deposit receipt or certificate issued by a custodian where the receipt or certificate represents an undivided interest in a pool of interest coupons or principal residues held by the custodian or in interest or principal payments to be made in respect of one or more Underlying Bonds held by the custodian (non alter-ego receipts).

- A deposit receipt or certificate issued by a custodian where the receipt or certificate represents the relevant segregated underlying interest coupon(s) or principal residue(s) held by the custodian (alter-ego receipt).

- In limited circumstances, physical delivery of the actual coupon(s) or residue(s) (in specie).

Each of these forms has different characteristics:

- Holders of book-entry positions and non alter-ego receipts are not entitled to take physical delivery of the underlying coupon(s) or residue(s), except in cases where specifically allowed by the rules of CDS or the custodial arrangements, as the case may be.

- Holders of book-entry positions, alter-ego receipts and non alter-ego receipts and holders of physical coupon(s) and residue(s), may be limited in their right to enforce the terms of the Underlying Bond(s) directly against the issuer. Further, such holders may have their rights under applicable custodial arrangements and in respect of the Underlying Bond(s) affected by a specified majority of such holders. Voting rights may be allocated to holders of strip bonds and strip bond packages based on a formula specified as part of the relevant custodial arrangement or as specified in the terms of the Underlying Bond(s).

Each purchaser should review the relevant custodial arrangements and the purchaser's rights thereunder.

- For non alter-ego receipts and alter-ego receipts, registered certificates may be available to the holder on request. Where registered certificates are not available, the holder should receive periodic statements showing the security position from his or her investment dealer or other financial institution.

- Alter-ego receipts may entitle the holder to take physical delivery of the underlying coupon(s) or residue(s). If the holder decides to take physical delivery, the holder should be aware of the risks (including the risk of lost ownership) associated with holding a bearer security which cannot be replaced. The holder also should be aware that the secondary market for physical strip bonds may be more limited than for other forms of strip bonds and strip bond packages, due to the risks involved.

The facilities of CDS are available for custody and settlement of strip bonds and strip bond packages for any CDS participant.

In some cases the Underlying Bonds are redeemable or callable prior to maturity. Purchasers of strip bonds or strip bond packages relating to interest payments to be made in respect of Underlying Bonds that are redeemable or callable should satisfy themselves that such interest payments do not relate to interest payment dates that may occur after the Underlying Bond's earliest call or redemption date.

Canadian Income Tax Summary

The Canadian income tax consequences of purchasing strip bonds and strip bond packages are complex. Purchasers of strip bonds and strip bond packages should consult their own tax advisors for advice relating to their particular circumstances. The following summary is intended to be a general commentary on the attributes of strip bonds and strip bond packages under the *Income Tax Act* (Canada) ("Tax Act") and the regulations thereunder ("Regulations") for purchasers who hold their strip bonds and strip bond packages as capital property for purposes of the Tax Act. The summary also comments on the attributes under applicable similar provincial or territorial taxation laws.

Qualified Investments

Strip bonds and strip bond packages relating to Underlying Bonds that are issued or guaranteed by the Government of Canada or issued by a province or territory of Canada are "qualified investments" under the Tax Act and are therefore eligible for purchase by trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs") and deferred profit sharing plans ("DPSPs").

Annual Taxation of Strip Bonds

The Canada Customs and Revenue Agency has indicated that purchasers of strip bonds will be treated as having purchased a "prescribed debt obligation" within the meaning of the Regulations. Accordingly, a purchaser will be required to include in income in each year a notional amount of interest, notwithstanding that no interest will be paid or received in the year (see example below). Therefore, these instruments may be more attractive to non-taxable accounts, such as self-directed RRSPs, RRIFs, DPSPs, RESPs, pension funds and charities, than to taxable accounts.

In general terms, the amount of notional interest deemed to accrue each year will be determined by using that interest rate which, when applied to the total purchase price (including any dealer mark-up or commission) and compounded at least annually, will result in a cumulative accrual of notional interest from the date of purchase to the date of maturity equal to the amount of the discount from face value at which the strip bond was purchased.

For individuals and certain trusts, the required accrual of notional interest in each year is generally only up to the anniversary date of the issuance of the Underlying Bond. For example, if a strip bond is purchased on February 1 of a year and the anniversary date of the issuance of the Underlying Bond is June 30, only five months of notional interest accrual will be required in the year of purchase. However, in each subsequent year, notional interest will be required to be accrued from July 1 of the previous year to June 30 of the subsequent year.

The table below sets out the income tax treatment of a taxable individual investor resident in Canada who purchases a $5,000 strip bond on February 1, 2002 at a total purchase price of $3,742.96. The anniversary date of the issuance of the Underlying Bond is June 30. The strip bond is due on June 30, 2007 (i.e. 5 years and 149 days later) and the investor holds it to maturity. Thus, the effective annual interest rate on the strip bond for purposes of the interest accrual rules will be 5.5%. The investor's marginal tax rate (determined after taking into account applicable provincial or territorial taxation laws) is assumed for illustrative purposes only to be 45%. Investors should determine their actual marginal tax rate after discussion with a professional tax advisor.

Year	Base for interest compounding (i.e. purchase price plus previously accrued notional interest)	Accrued notional interest for year (i.e. 5.5% of the base for interest compounding except in the first year)	Tax liability at 45%
2002	$3,742.96	$ 82.71{•}	$ 37.22
2003	3,825.67	210.41	94.68
2004	4,036.08	221.98	99.89
2005	4,258.06	234.20	105.39
2006	4,492.26	247.07	111.18

Year	Base for interest compounding (i.e. purchase price plus previously accrued notional interest)	Accrued notional interest for year (i.e. 5.5% of the base for interest compounding except in the first year)	Tax liability at 45%
____	______________	______________	_________
2007	4,739.33	260.67	117.30
		______	
		1,257.04	

{•} [$(1.055)^{149/365}$ x $3,742.96] - $3,742.96. February 1, 2002 to June 30, 2002 = 149 days because the investor is not credited with interest for the day of purchase.

In some circumstances the anniversary date of the issuance of the Underlying Bond may not be readily determinable. In these circumstances individual investors may wish to consider accruing notional interest each year to the end of the year instead of to the anniversary date.

A corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary is required for each taxation year to accrue notional interest to the end of the taxation year and not just to an earlier anniversary date in the taxation year.

Disposition of Strip Bonds Prior To Maturity

Upon the disposition of a strip bond prior to maturity, purchasers will be required to include in their income for the year of disposition notional interest to the date of disposition. If the amount received on such a disposition exceeds the total of the purchase price and the amount of all notional interest accrued and included in income, the excess will be treated as a capital gain. If the amount received on disposition is less than the total of the purchase price and the amount of all notional interest accrued and included in income, the difference will be treated as a capital loss. As of the date of this Information Statement, a taxpayer was required to take into account one half of the capital gain or loss in determining taxable income.

The table below sets out the income tax treatment for the individual investor in the previous example where the investor sells the strip bond on September 30, 2004 for an assumed sale price of $4,361.31.

Proceeds of disposition		$4,361.31
Base for calculation of capital gain		
• initial purchase price	$3,742.96	
• accrued income for 2002 (see previous	82.71	

	table)		
•	accrued income for 2003 (see previous table)	210.41	
•	accrued income for 2004		
•	to anniversary date (see previous table)	221.98	
•	to September 30	57.85{•}	4,315.91
Capital gain			45.40
Taxable capital gain (1/2 of capital gain)			22.70

{•} $[(1.055)^{92/365} \times \$4,258.06] - \$4,258.06$

Strip Bond Packages

Because a strip bond package consists for tax purposes of a series of separate strip bonds, the interest inclusion rules will be satisfied if an annual notional interest inclusion is determined in respect of each separate strip bond as outlined above. However, the calculation of such annual notional interest inclusion may be very complex. In addition, the calculation may be impossible to perform for individual purchasers to the extent that the anniversary dates of the Underlying Bonds are unknown.

As an alternative, purchasers of strip bond packages may wish to consider accruing notional interest to the end of each year at the internal rate of return or yield of the strip bond package determined by reference to the total purchase price (including any dealer mark-up or commission) and on the assumption that each component of the strip bond package is held to maturity or final payment date. The use of this method may in some circumstances result in a marginally less favourable income tax result to an individual purchaser than the calculation of an annual notional interest inclusion in respect of each separate strip bond comprising the strip bond package.

Upon the disposition of a strip bond package prior to maturity, purchasers will be required to include in their income for the year of disposition notional interest to the date of disposition. If the amount received on such a disposition exceeds the sum of the total purchase price and the amount of all notional interest accrued and included in income, the excess will be treated as a capital gain. If the amount received on disposition is less than the sum of the total purchase price and the amount of all notional interest accrued and included in income, the difference will be treated as a capital loss. As of the date of this Information Statement, a taxpayer was required to take into account one half of the capital gain or loss in determining taxable income.

Non-Residents of Canada

Non-residents of Canada for the purposes of the Tax Act who purchase strip bonds or strip bond packages relating to Underlying Bonds issued or guaranteed by the Government of Canada or issued by a province or territory of Canada and which were issued after April 15, 1966 will not be liable for income tax in Canada (including withholding tax) on any amounts paid or credited with respect to the strip bonds or strip bond packages if such purchasers do not use or hold the strip bonds or strip bond packages in carrying on business in Canada and their sole connection with Canada is the acquisition and ownership of the strip bonds or strip bond packages.

Impact on Yield-to-Maturity of Dealer Mark-ups or Commissions Paid on Strip Bonds

Dealer mark-ups or commissions on strip bonds are quoted as a fixed amount per $100 of maturity amount of the strip bond purchased. The commission charged is generally not affected by the purchase price of the strip bond. Thus, the commission remains the same for strip bonds with a longer term to maturity and lower purchase price. The commissions quoted by investment dealers for strip bonds generally range between 25 cents per $100 of maturity amount to $1.50 per $100 of maturity amount. Commissions are typically at the higher end of this range for small transaction amounts, reflecting the higher costs of processing a small trade. The commissions generally decline for larger transaction sizes.

The table below illustrates the after-commission yield to an investor in strip bonds with different before-commission yields and with different terms to maturity. All of the yield numbers are semi-annual. For example, a strip bond with a term to maturity of one year, a before-commission yield of 4.5% and a commission of 25 cents per $100 of maturity amount has an after-commission yield of 4.234%. The before-commission cost of this particular strip bond will be $94.72 per $100 of maturity amount while the after-commission cost will be $94.97 per $100 of maturity amount. Similarly, a strip bond with a term to maturity of 25 years, a before-commission yield of 6.5% and a commission of $1.50 per $100 of maturity amount has an after-commission yield of 6.204%. The before-commission cost of this particular strip bond will be $20.21 per $100 of maturity amount while the after-commission cost will be $21.71 per $100 of maturity amount.

The approximate reduction in annual percentage yield associated with the payment of a specific amount of commission or dealer mark-up may generally be calculated as follows:

where

MA is the maturity value of the strip bond

PP is the purchase price of the strip bond including the amount of any commission or dealer mark-up required to be paid in order to acquire the strip bond

CA is the amount of the commission or dealer mark-up required to be paid to the selling dealer at the time of purchase of the strip bond n is the number of days from the time of purchase of the strip bond to the time of maturity of the strip bond (determined excluding the day of purchase but including the maturity day and ignoring leap years)

A prospective purchaser or seller of a strip bond is invited to compare the yield to maturity of the strip bond, calculated after giving effect to any applicable dealer mark-up or commission, against the similarly calculated yield to maturity of a conventional interest bearing debt security. Prospective purchasers or sellers are invited to inquire about the dealer's bid and ask prices for the subject strip bond.

June, 2003.