

May 17, 2006

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK,
PRINCE EDWARD ISLAND, NOVA SCOTIA,
NEWFOUNDLAND AND LABRADOR, YUKON,
NORTHWEST TERRITORIES AND NUNAVUT
(the Jurisdictions)**

AND

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

AND

**IN THE MATTER OF
BANK OF MONTREAL
(the Filer)**

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) for:

- (a) an exemption from the dealer registration requirement in respect of a trade in a negotiable promissory note or commercial paper maturing not more than one year from the date of issue (together **Commercial Paper**); and
- (b) an exemption from the prospectus requirement in respect of the distribution of the Commercial Paper,

(collectively, the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the Ontario Securities Commission is the principal regulator for this application, and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a bank listed on Schedule I of the *Bank Act* (Canada). The Filer's head office is located in Montréal, Québec and its corporate headquarters and executive offices are located in Toronto, Ontario.
2. The Filer is a reporting issuer in each Jurisdiction having such a concept. The Filer is not in default of any of its obligations as a reporting issuer under the Legislation of any such Jurisdiction.
3. The Filer is not registered as a dealer or adviser under the Legislation in any province or territory of Canada.
4. The Filer trades in and distributes Commercial Paper in the Jurisdictions through the purchase of such Commercial Paper as principal for its own account or with a view to distribution or as agent for certain issuers.
5. Paragraph 2.35(1)(b) of National Instrument 45-106 *Prospectus and Registration Exemptions (NI 45-106)* provides an exemption from the dealer registration requirement and prospectus requirement for a trade in Commercial Paper (the **Short-term Debt Exemption**) where, among other things, the Commercial Paper "has an approved credit rating from an approved credit rating organization".
6. NI 45-106 incorporates by reference the definitions for "approved credit rating" and "approved credit rating organization" that are used in National Instrument 81-102 *Mutual Funds (NI 81-102)*. The definition of an "approved credit rating" in NI 81-102, requires, among other things, that (a) the rating assigned to such debt must be "at or above" certain prescribed short-term ratings, and (b) such debt must not have been assigned a rating by any "approved credit rating organization" that is not an "approved credit rating".
7. The Filer proposes to trade in Commercial Paper with the following general characteristics:
 - (a) it matures not more than one year from the date of issue;
 - (b) it is not convertible or exchangeable into or accompanied by a right to purchase another security other than Commercial Paper; and
 - (c) it has a credit rating from at least one of the following credit rating organizations at or above one of the following rating categories listed below:

Rating Organization	Rating
Dominion Bond Rating Service Limited	R-1 (low)
Fitch Ratings Ltd.	F2
Moody's Investors Service	P-2
Standard & Poor's	A-2

8. The Commercial Paper may have a lower rating than required by the Short-term Debt Exemption and accordingly, the Short-term Debt Exemption may not be available.

Decision

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 under the Legislation is that the Requested Relief is granted provided that the Commercial Paper:

- (a) matures not more than one year from the date of issue;
- (b) is not convertible or exchangeable into or accompanied by a right to purchase another security other than Commercial Paper; and
- (c) has a rating issued by one of the following rating organizations, or any of their successors, at or above one of the following rating categories or a rating category that replaces a category listed below:

Rating Organization	Rating
Dominion Bond Rating Service Limited	R-1 (low)
Fitch Ratings Ltd.	F2
Moody's Investors Service	P-2
Standard & Poor's	A-2

For each Jurisdiction, this decision will terminate on the earlier of:

- (a) 90 days after the coming into force of any rule, other regulation or blanket order or ruling under the Legislation of the Jurisdiction that amends section 2.35 of NI 45-106 or provides an alternate exemption; and
- (b) three years from the date of this decision.

"David L. Knight"
Commissioner
Ontario Securities Commission

"Susan Wolburgh Jenah"
Vice-Chair
Ontario Securities Commission