

IN THE MATTER OF THE
SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN
MANITOBA, ONTARIO AND QUEBEC

AND

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

AND

IN THE MATTER OF
MERRILL LYNCH INTERNATIONAL

AND

IN THE MATTER OF MERRILL LYNCH CANADA INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec (the "Jurisdictions") has received an application from Merrill Lynch International and Merrill Lynch Canada Inc. (individually, an "Applicant", and collectively, the "Applicants") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation triggered by the acquisition of 10% or more of the outstanding securities of a reporting issuer (the "Early Warning Requirements") and the corresponding restrictions on further acquisitions (the "Moratorium Requirements") as well as the requirements for the filing of insider trading reports do not apply to the Applicants in respect of an investment by an Applicant in units or securities of Underlying Funds (as defined below) where:

a) An Applicant enters into a forward or other permitted derivative transaction (a Forward Contract) directly with a fund that is a fully qualified investment for registered plans such as RRSPs the units or securities of which are not foreign property for the purposes of the *Income Tax Act* (Canada) (the Tax Act) (each such fund hereinafter referred to as an RSP Fund and collectively as the RSP Funds);

b) The respective underlying interest of each forward contract is units or securities of a related corresponding fund that is foreign property for the purposes of the Tax Act (each such fund, with respect to the corresponding RSP Fund having the same investment objective, is hereinafter referred to as an Underlying Fund and collectively as the Underlying Funds);

c) An Applicant purchases units or securities of an Underlying Fund pursuant to a prospectus for which a receipt has been issued in order to hedge its obligations under the corresponding Forward Contract;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Quebec Securities Commission is the principal regulator for this application;

AND WHEREAS the Applicants have represented to the Decision Makers that;

Merrill Lynch International is a United Kingdom based broker dealer in securities and dealer in equity derivatives. I

Merrill Lynch Canada Inc. is registered in the Jurisdictions as a broker and investment dealer,

The RSP Funds and the Underlying Funds (collectively, the "Funds") are or will be open-end mutual fund trusts or corporations established under the laws of Canada or province thereof.

The Funds are or will be reporting issuers under the securities laws of one or more of the provinces and territories of Canada.

The RSP Funds will enter into Forward Contracts that are linked to the performance of the corresponding Underlying Funds, while ensuring that units or securities of the RSP Funds do not constitute "foreign property" under the Tax Act for registered tax deferral plans. The investment objectives, practices and restrictions of the Funds are or will be set out in their respective prospectuses.

The structure of the RSP Funds permits investors to increase their exposure to foreign securities markets beyond the current 20% limit imposed by the Tax Act, without being subject to a penalty tax.

The value of the Forward Contracts will be linked to the value of the corresponding Underlying Funds. It is expected that each of the Forward Contracts will be entered into and settled on a monthly or quarterly basis. Certain contracts will be adjusted daily to reflect the net amounts received by the RSP Funds in respect of purchases of their units or securities, the amounts paid in respect of redemption of their units or securities, the cost of the Forward Contracts and the expenses paid by such RSP Funds. All payments under the Forward Contracts are to be made only in cash and no RSP Fund will have any entitlement or right to securities of the Underlying Fund held by an Applicant. Each Forward Contract creates economic exposure to the Underlying Fund by delivering to the related RSP Fund a cash payment from an Applicant substantially equal to the investment return, if any, in such Underlying Fund, less the cost of the Forward Contract and the operating expenses of the RSP Fund. Any investment loss in an Underlying Fund results in a cash payment by the related RSP Fund to an Applicant.

The result of the investment strategy is that investors in the RSP Funds will receive approximately the same investment return as investors in the corresponding Underlying Fund, (i)

plus the income derived from the RSP Funds' investments and bank deposits, and (ii) less amounts payable to counterparties (such as the Applicants) as premiums for the issue of the Forward Contracts, the cost of the Forward Contracts and the RSP Funds' other operating expenses.

In order for an Applicant to hedge its position under the Forward Contracts, the Applicant may acquire directly units or securities of the Underlying Funds or alternatively, may enter into forward contracts, swaps or other derivatives that would have the effect of hedging its position under the Forward Contracts. In such cases the counterparty to the Applicant would acquire directly units or securities of the Underlying Funds. The number of units or securities of the Underlying Funds to be acquired from time to time by an Applicant or its counterparty in a back-to-back forward arrangement pursuant to its hedging program cannot be determined in advance and will change daily. Both the Applicant's subscriptions for units or securities and requests for redemption of units or securities of the Underlying Funds will be linked to the number of units or securities subscribed for and redeemed from day to day by investors in the RSP Funds.

All purchases of an Underlying Fund by an Applicant will be from treasury of the Underlying Fund.

The Applicants may, from time to time, acquire beneficial ownership of more than 10% of the outstanding units or securities of an Underlying Fund.

The units or securities of the Funds will be qualified for sale pursuant to a prospectus or a simplified prospectus and annual information form, which will disclose generally that counterparties to forward contracts with the RSP Funds may purchase units or securities of the Underlying Funds for hedging purposes and the possible effects thereof.

Purchases of units or securities in the Underlying Funds by an Applicant to implement its hedge will be made with passive investment intent with respect to its ownership or control of units or securities of the Underlying Funds.

The Early Warning Requirements and the Moratorium Requirements of the Legislation impose on the Applicants obligations to issue press releases and file reports in connection with the acquisition, as required to effect its hedge, of units or securities of an Underlying Fund and impose restrictions on further acquisitions by the Applicants of units or securities of an Underlying Fund.

An Applicant will have difficulty in determining its percentage interest in an Underlying Fund at any given time because its percentage interest is subject to change on a daily basis due to issuances and redemptions of units or securities of the Underlying Funds.

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

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 Early Warning Requirements, the Moratorium Requirement and the insider trading reporting requirements contained in the Legislation shall not apply to an Applicant in respect of acquisitions of units or securities of an Underlying Fund purchased in order to hedge its obligations under the Forward Contracts.

DATED at Montreal this nineteenth day of January 2000.

Guy Lemoine Viateur Gagnon