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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted from the eligibility requirements of National Instrument 44-102 *Shelf Distributions* and National Instrument 44-101 *Short Form Prospectus Distributions* to permit the filing of a shelf prospectus and prospectus supplements (the “Prospectus”) to offer strip residuals, strip coupons and strip packages (the “Strip Securities”) to be derived from debt obligations (“Underlying Obligations”) of Canadian corporations and trusts; exemption also granted from the requirements that the Prospectus contain a certificate of the issuer and that the Prospectus incorporate by reference documents of the Underlying Issuer – relief subject to certain conditions

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 68 and 76

National Instrument 44-101 *Short Form Prospectus Distributions*, ss. 2.1 and 15.1

National Instrument 44-102 *Shelf Distributions*, ss. 2.1 and 11.1

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

AND

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

AND

IN THE MATTER OF CIBC WORLD MARKETS INC.

AND

**IN THE MATTER OF THE STRIP COUPONS, STRIP RESIDUALS AND
ADJUSTED RATE SECURITIES PROGRAMME OF CIBC WORLD
MARKETS INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia,

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Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut (collectively, the “Jurisdictions”) has received an application from CIBC World Markets Inc. (the “Filer”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that the following requirements shall not apply in respect of sales of separate components of interest, principal or combined principal and interest components derived by the Filer from one or more Underlying Obligations (as defined herein) purchased by the Filer on the secondary market,

- (a) Section 2.1 of National Instrument 44-102 *Shelf Distributions* (“NI 44-102”) and Section 2.1 of National Instrument 44-101 *Short Form Prospectus Distributions* (“NI 44-101”) so that a preliminary short form prospectus which is a preliminary base shelf prospectus and a short form prospectus which is a base shelf prospectus together with the appropriate prospectus supplements (collectively, the “Prospectus”) can be filed to offer the Strip Securities (as defined herein) in the Jurisdictions;
- (b) the requirements of the Legislation that the Prospectus contain a certificate of an issuer; and
- (c) the requirements of the Legislation that the Prospectus incorporate by reference documents of an Underlying Issuer.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meanings set out in National Instrument 14-101 *Definitions* or in Quebec Commission Notice 14-101;

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

1. The Filer proposes to establish a strip bond product programme (the “Programme”) to be offered by shelf prospectus;
2. The Programme will be established by purchasing, on the secondary market, publicly issued debt obligations (the “Underlying Obligations”) of Canadian corporate and/or trust issuers (“Underlying Issuers”), which Underlying Obligations will, at the time of the closing of an offering of the related strip securities, carry an “Approved Rating” (as such term is defined in NI 44-101), and deriving separate components therefrom, being:

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- (a) separate components of principal (“Strip Residuals”) and interest (“Strip Coupons”); and/or
- (b) packages of securities (“Strip Packages”) including packages of:
 - (i) Strip Coupons; and
 - (ii) securities (“Adjusted Rate Securities”) comprised of an entitlement to receive all or a portion of the principal amount of, and all or a portion of the interest payable, under the Underlying Obligations,

the Strip Residuals, Strip Coupons and Strip Packages (including packages of Strip Coupons and Adjusted Rate Securities) are each referred to as “Strip Securities”;

3. The relevant Underlying Issuer will, to the best of the Filer’s knowledge as of the date of the closing of an offering of the Strip Securities (the “Offering Date”) be eligible to file a short form prospectus under NI 44-101 whether or not such eligibility results from the specific qualification criteria of NI 44-101 or from the granting of an exemption from those criteria;
4. The Underlying Obligations will have been distributed under a prospectus for which a receipt was granted by the regulators in British Columbia, Alberta, Ontario, and Quebec, at least four months will have passed from the date of closing of the original issue of the relevant class or series of Underlying Obligations and the distribution of the Underlying Obligations will have been completed;
5. A single short form base shelf prospectus will be filed in relation to the distribution of Strip Securities, with each separate series of Strip Securities being offered under a prospectus supplement;
6. The Filer will not enter into any agreement or other arrangements with the Underlying Issuers in connection with acquiring Underlying Obligations for the purpose of distributing the Strip Securities or in relation to any such distribution;
7. The Prospectus will refer purchasers of the Strip Securities to the System for Electronic Document Analysis and Retrieval (“SEDAR”) website (currently located at www.sedar.com) where they can obtain the continuous disclosure materials of the Underlying Issuer;

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8. The Filer may, from time to time, form and manage a selling group consisting of other registered securities dealers to solicit purchases of and sell the Strip Securities to the public;
9. The Strip Securities will be sold in series, each such series relating to one or more separate Underlying Obligations of a single class or series of an Underlying Issuer;
10. The base shelf prospectus will describe the Programme for the creation and distribution of Strip Securities and the shelf prospectus supplement for a particular series of Strip Securities will describe the specific terms of such Strip Securities;
11. The Strip Residuals of a particular series will consist of the entitlement to receive payments of all or a portion of the principal amounts payable under the Underlying Obligations, if, as and when paid by the Underlying Issuer on the Underlying Obligations, in accordance with their respective terms;
12. The Strip Coupons of a particular series will consist of the entitlement to receive a payment of all or a portion of the interest payable under the Underlying Obligations, if, as and when paid by the Underlying Issuer on the Underlying Obligations, in accordance with their respective terms;
13. The Strip Packages will consist of the entitlement to receive (a) in the case of Adjusted Rate Securities both payments of all or a portion of the principal amounts payable and periodic payments of all or a portion of the interest payable, under the Underlying Obligations; and/or (b) in the case of packages consisting of Strip Coupons, periodic payments of all or a portion of the interest payable under the Underlying Obligations, in each case, if, as and when paid by the Underlying Issuer on the Underlying Obligations, in accordance with their respective terms;
14. The owners of Strip Securities of one series will not be entitled to receive any payments from the cashflows of Underlying Obligations related to any other series of Strip Securities;
15. Holders of a series of Strip Securities will be entitled to payments from cashflows from the related Underlying Obligations, if, as and when made by the respective Underlying Issuer;
16. As the Underlying Issuers will be the sole obligors under the respective Underlying Obligations, holders of Strip Securities will be entirely dependent upon the cashflows generated from the respective Underlying Obligations;

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17. The Strip Securities of a series will be sold at prices determined by the Filer and/or the selling group engaged to distribute the series from time to time and, as such, these may vary as between purchasers of the same series and during the offering period of Strip Securities of the same series;
18. In quoting a price for the Strip Securities distributed under the Prospectus, the Filer will advise the purchaser of the annual yield to maturity thereof based on such price;
19. The Underlying Issuers will not receive any proceeds, and the Filer will not be entitled to be paid any fee or commission by the Underlying Issuers, in respect of the sale by the Filer or members of any selling group of the Strip Securities;
20. The maturity date or dates of any particular series of Strip Coupons and the maturity date or dates of any interest component included in Strip Packages will be coincident with the interest payment dates for the Underlying Obligations;
21. The maturity date of a particular series of Strip Residuals and the principal component of Strip Packages, if any, will be the maturity date of the Underlying Obligations for the series;
22. The Strip Securities will be issuable in Canadian or U.S. dollars and in such minimum denomination(s) and with such maturities as may be described in the applicable shelf prospectus supplement;
23. The Underlying Issuers will be Canadian corporations or trusts. The Underlying Obligations will be securities of the Underlying Issuers. The Strip Securities will be derived without regard, except as to ratings and eligibility, for the value, price, performance, volatility, investment merit or creditworthiness of the Underlying Issuers, historically or prospectively;
24. The Filer will cause all Underlying Obligations from which the Strip Securities will be derived and which are not already in The Canadian Depositary for Securities Limited (including any nominee, "CDS") book-entry system to be delivered to CDS and registered in the name of CDS. The Underlying Obligations from which the Strip Securities will be derived will, except in very limited circumstances, be held by CDS until their maturity and will not otherwise be released or removed from the segregated account used by CDS to maintain the Underlying Obligations. A separate security identification number or ISIN will be assigned by CDS to each series of Strip Securities;

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25. Pursuant to the operating rules and procedures of its Debt Clearing Service (the “CDS Rules”), or any successor operating rules and procedures, CDS will maintain book-entry records of ownership for the Strip Securities, entering in such records only the names of participants (“Participants”) in the depository system of CDS. No purchaser of Strip Securities will be entitled to any certificate or other instrument from the Underlying Issuer, the Filer, CDS or otherwise, to evidence the Strip Securities or the ownership thereof, and no purchaser of Strip Securities will be shown on the records maintained by CDS except through the book entry account of a Participant. Upon the purchase of Strip Securities, the purchaser will receive only the customary confirmation slip that will be sent to such purchaser by the Filer or other Participant;
26. Transfers of beneficial ownership in Strip Securities will be effected through records maintained for Strip Securities by CDS or its nominee (with respect to interests of Participants) and on the records of Participants (with respect to interests of persons other than Participants). Under the CDS Rules, beneficial holders who are not Participants, but who desire to purchase, sell or otherwise transfer beneficial ownership of, or any other interest in, such Strip Securities of a series, may do so only through Participants;
27. Payments in respect of a principal component (if any), interest component(s) (if any), or other amounts (if any) payable under a series of Strip Securities will, in accordance with the CDS Rules, be made from payments received by CDS in respect of the related Underlying Obligations from or on behalf of the relevant Underlying Issuer. Amounts payable on the maturity of the Strip Securities will be payable by the Underlying Issuer to CDS, as the registered holder of the Underlying Obligations. The Filer understands that following receipt thereof, CDS, in accordance with the CDS Rules, will pay each of its Participants shown on its records as holding matured Strip Securities the amount to which such Participant is entitled. The Filer understands that, in accordance with the CDS Rules, each Participant who holds such Strip Securities on behalf of a purchaser thereof will pay or otherwise account to such purchaser for the amounts received by it in accordance with the instructions of the purchaser to such Participant;
28. As the registered holder of the Underlying Securities, CDS will receive any voting rights in respect of the Underlying Obligations for the Strip Securities. In accordance with the CDS Rules, CDS will allocate these rights to the holders of the Strip Securities in accordance with the operating rules and procedures of its Debt Clearing Service, or any successor operating rules and procedures, in effect at the time. These procedures currently provide for the distribution of the voting rights based on “proportionate economic interest”,

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determined as will be described in the Prospectus. Such voting rights will be vested on a series-by-series basis and the holders of one series of Strip Securities will not have any entitlements vis-à-vis voting rights in respect of another series. In order for a holder of Strip Securities to have a legal right to attend a meeting of holders of Underlying Obligations, or to vote in person, such holder of Strip Securities must be appointed as proxyholder for the purposes of the meeting by the CDS Participant through whom he or she holds Strip Securities;

29. Under the CDS Rules, if an Underlying Issuer repays a callable Underlying Obligation prior to maturity in accordance with its terms, CDS allocates the amount of proceeds it receives as the registered holder of the Underlying Obligations to the holders of the Strip Securities in accordance with the operating rules and procedures of its Debt Clearing Service, or any successor operating rules and procedures, in effect at the time. These procedures currently provide for the distribution of proceeds on the repayment of a callable Underlying Obligation based on “proportionate economic interest”; and
30. Under the CDS Rules, any other entitlements received by CDS with respect to the Underlying Obligations upon the occurrence of an event other than in respect of maturity, including entitlements on the insolvency or winding-up of an Underlying Issuer, the non-payment of interest or principal when due, or a default of the Underlying Issuer under any trust indenture or other agreement governing the Underlying Obligations, will be processed by CDS in accordance with the operating rules and procedures of its Debt Clearing Service, or any successor operating rules and procedures, in effect at the time. These procedures also currently provide for CDS to distribute the resulting cash and/or securities to the holders of the Strip Securities based on “proportionate economic interest”. In addition, if the Underlying Issuer offers an option to CDS as the registered holder of the Underlying Obligations in connection with the event, the Filer understands that CDS will attempt to offer the same option to the holders of the Strip Securities, where feasible.

AND WHEREAS under 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 under the Legislation is that in respect of the Programme:

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31. An exemption is granted from Section 2.1 of NI 44-102 and Section 2.1 of NI 44-101 to permit a preliminary short form prospectus which is a preliminary base shelf prospectus and a short form prospectus which is a base shelf prospectus for the Strip Securities to be filed and receipts issued therefor;
32. The requirements of the Legislation that the Prospectus contain a certificate of the issuer shall not apply; and
33. The requirements of the Legislation that the Prospectus incorporate by reference any document of an Underlying Issuer shall not apply;

provided that:

- A. The relevant Underlying Issuer will, to the best of the Filer's knowledge at the Offering Date, be eligible to file a short form prospectus under NI 44-101 whether or not such eligibility results from the specific qualification criteria of NI 44-101 or from the granting of an exemption from those criteria;
- B. The Underlying Obligations were distributed under a prospectus for which a receipt was granted by the regulators in British Columbia, Alberta, Ontario and Quebec, and, in each case, at least four months have passed from the date of closing of the original issue of the relevant class or series of Underlying Obligations and the distribution of the Underlying Obligations is complete;
- C. A receipt issued for a base shelf prospectus in reliance on this Decision Document is not effective after the date 25 months from the date of its issue;
- D. The offering and sale of the Strip Securities complies with all the requirements of NI 44-102 and NI 44-101 as varied by NI 44-102, other than those requirements from which an exemption is granted by this Decision Document or from which an exemption is granted in accordance with Part 11 of NI 44-102 by the securities regulatory authority or regulator in each of the Jurisdictions as evidenced by a receipt for the Prospectus;
- E. The Filer issues a press release and files a material change report in respect of:
 - (i) a material change to the Programme which affects any of the Strip Securities, other than a change which is a material change to an Underlying Issuer; and

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- (ii) a change in the operating rules and procedures of Debt Clearing Service of CDS which may have a significant effect on a holder of Strip Securities;

F. The Filer files the Prospectus, the material change reports referred to above, and all documents related thereto on SEDAR under a SEDAR profile for the Strip Securities and pays all filing fees applicable to such filings.

DATED January 29, 2003.

Margo Paul
Manager, Corporate Finance