

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

AND

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

AND

IN THE MATTER OF
COLLECTIVEBID SYSTEMS INC. AND CBID SECURITIES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator in each of the provinces of Ontario, British Columbia and Quebec issued a decision (the "Original Decision") on December 19, 2001 under the securities legislation of the Jurisdictions (the "Legislation") exempting CollectiveBid Systems Inc. ("CB") and CBID Securities Inc. ("CBID" and, with CB, the "Filers") from the requirement to comply with National Instrument 21-101 Marketplace Operation and National Instrument 23-101 Trading Rules (the "ATS Rules") until April 1, 2002;

AND WHEREAS the Filers have applied to local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Ontario, British Columbia, Manitoba and Quebec (collectively, the "Jurisdictions") for a decision under the Legislation that the requirements contained in the Legislation to be recognized as a stock exchange or an exchange and certain requirements of National Instrument 21-101 Marketplace Operation ("NI 21-101") do not apply to CBID;

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

AND WHEREAS the Filers have represented to the Decision Makers as follows.

1. CB is a corporation amalgamated under the *Canada Business Corporations Act* (the "CBCA") on October 1, 2001.
2. CBID is a wholly-owned subsidiary of CB that was incorporated under the CBCA on October 18, 2001. CBID is a member of the Investment Dealers Association of Canada (the "IDA") and is

registered as an investment dealer in Ontario and has applied to be registered in the equivalent category in British Columbia, Manitoba and Quebec.

3. CBID operates a marketplace (the "Marketplace") as defined in NI 21-101 that allows customers to electronically execute trades of bonds and other fixed income securities through a website.

4. The Marketplace receives firm two-sided bid/ask quotes on a number of fixed income securities from other entities, who to date are all registered dealers, known as liquidity providers. On the other side, the Marketplace receives orders from counterparties. To date, all of the counterparties are registered dealers. Institutional customers may be added once CBID is registered as an investment dealer or the equivalent in the Jurisdiction in which the institutional customer is resident (unless an exemption is granted in a particular Jurisdiction). An execution engine uses an algorithm to match buy and sell orders, and advises the matched buyer and seller that the order has been executed (the "Retail Marketplace"). By their agreements, the buyers and sellers are bound by the result. They are then responsible for contacting each other to arrange for clearing and settlement.

5. The Marketplace may be considered to be a stock exchange or exchange because the Retail Marketplace provides, through one or more subscribers, a guarantee of a two-sided market for a security on a continuous or reasonably continuous basis.

6. The Marketplace also enables institutional customers or registered dealers to execute trades anonymously with other registered dealers or institutional customers (the "Institutional Marketplace"). Once there are two sides to a trade, to maintain anonymity, CBID will generally act as the counterparty for all transactions executed on the Institutional Marketplace and the transactions will be cleared and settled on behalf of CBID through its clearing broker. In certain circumstances, CBID can step away and the ultimate buyer and seller may be disclosed and be required to arrange for clearing and settlement directly. A non-anonymous request for quote feature with name give-up (i.e. non-anonymous) transactions and firm or subject (i.e. non-firm) two-sided quotes may also be added to this offering in the future.

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:

1. the Original Decision is hereby revoked;

2. in connection with the Marketplace, CBID is exempt from the requirement to be recognized as a stock exchange or an exchange provided that:

(a) CBID complies with and is subject to the ATS Rules as if CBID is an ATS except that CBID is not required to comply with:

(i) subsection 6.6(b) of NI 21-101 relating to advance notice of providing guarantees of a two-sided market;

(ii) section 6.7 of NI 21-101, to the extent that it purports to relate to any period prior to April 1, 2002;

(iii) sections 8.1, 8.2 and 10.1 of NI 21-101 until December 1, 2002;

(iv) subsection 9.2(1) of NI 21-101, in respect of any security until 30 days after such time as a principal market has been identified in a notice of the securities regulatory authority or a publication of the information processor in accordance with section 9.3 of NI 21-101 or the principal market previously identified becomes subject to subsection 8.1(1) of NI 21-101;

(v) subsections 9.2(1) and 9.4(2) of NI 21-101, to the extent that the applicable principal market or other marketplace is not itself subject to subsection 8.1(1) of NI 21-101; and

(vi) section 12.2 of NI 21-101 to the extent that it purports to relate to any period prior to April 1, 2002; and

(b) if CBID intends to carry on stock exchange or exchange activities listed in subsections 6.6(a), (c) and (d) in NI 21-101 or meets the thresholds in subsection 6.7(1) of NI 21-101, CBID will notify the securities regulatory authorities in accordance with the timeframes provided in the sections; and

3. in connection with the Marketplace, CBID is exempt from the following requirements in a Jurisdiction provided that it is registered as an investment dealer or the equivalent in the Jurisdiction:

(a) monthly or quarterly statements of account requirements in respect of customers that are registered dealers; and

(b) compliance officer review of new account, trading and advice requirements in respect of customers who are registered dealers.

DATED this 22nd day of March, 2002

"Paul M. Moore"

"H. Lorne Morphy"

"Randee B. Pavalow"

