



BANK OF CANADA
BANQUE DU CANADA

**Terms and Conditions of the Term Purchase and Resale
Agreement (PRA) Facility**

- Operation details:** Auction date, amount, settlement date, maturity date, and other information will be announced by the Bank of Canada ahead of each auction.
- Type of auction:** Multiple yield competitive auction for a fixed par Canadian dollar (CAD) amount.
- Eligible counterparties:** Canadian Primary Dealers (PDs) in Government of Canada securities and direct participants in Large Value Transfer System (LVTS).
- Affiliated entities:** Entities that do not have a strict arm's-length relationship with one another (i.e., affiliates) are considered one bidder for the purposes of term PRA operations.
- Bidding process:** Each bid must be submitted on a yield basis, up to two decimal places.
- A maximum of three bids can be submitted by each bidder.
- Verbal bids must be confirmed in writing.
- The minimum bid amount is \$10 million, with minimum increments of \$1 million.
- The Bank of Canada reserves the right to accept or reject any or all bids, in whole or in part, including, without limitation, the right to accept less than the total amount specified ahead of the auction.
- Allocation mechanism:** Funds will be allocated in descending order of bid yields. Bids at the highest yield will be accepted first, and subsequently bids at successively lower yields will be accepted until the total amount of funds auctioned have been allocated. Bids at the cut-off yield (minimum accepted yield) will be pro-rated, and rounded down to the nearest \$1 million.
- Maximum allocation:** Each participant has a bidding limit of 25% of the auctioned amount, subject to a maximum aggregate of all outstanding CAD Term PRAs: for PDs and LVTS participants rated A or higher the aggregate limit is 25%; and for those rated either BBB or lower, or those without a rating, the aggregate limit is 12.5%.
- Timing of results:** Winning bidders will be notified by telephone following the allotment of the auction. The Bank of Canada will fax each

winning bidder confirmations, setting out the specific terms of the transaction, including the collateral.

Results will be published on the Bank of Canada website as soon as possible following the auction.

The total amount of assets acquired through each term PRA operation will be announced on the Bank of Canada's website on the settlement day by 16:45 (ET). These transactions will also be reflected on the Bank of Canada's balance sheet.

Eligible collateral:

The list of eligible collateral for these transactions includes the marketable securities accepted for the Standing Liquidity Facility (SLF) with the following exceptions:

- Special Deposit Accounts held at the Bank of Canada will not be accepted;
- Bank-sponsored affiliated ABCP meeting the Bank of Canada's criteria will be accepted on a temporary basis.

The conditions for the use of eligible collateral will be the same as for SLF collateral with the following exception:

- Physically delivered collateral in certificated form will not be accepted.

Notification of collateral to be used:

Counterparties must notify the Bank of Canada, in the form instructed, of the securities that will be used as collateral by 12:00 ET on the trade date.

Concentration limit:

An institution may offer the obligation of a single private-sector, municipal, foreign issuer or related party subject to a cumulative limit of 20% (par value) of the cumulative amount of the Term PRAs outstanding with that institution. In the case of ABCP, no more than 20% of the par value of the securities offered by an institution, nor for the cumulative outstanding, should be ABCP sponsored by a single institution.

Concentration limits will not be applied if the amount allocated to a participant is \$50 million or less.

Margins:

Eligible securities in these term PRA transactions will be subject to the same margin requirements as those applicable in the Standing Liquidity Facility (See Margin Requirements at <http://www.bankofcanada.ca/en/financial/securities.pdf>).

For bank-sponsored affiliated ABCP that has met the Bank of Canada's criteria and is eligible as collateral for a temporary basis, the margin requirement is 22.5 per cent and will not be pro-rated

according to the term of the security.

Margin Calls: Transactions will be subject to margin calls if the value of the posted collateral falls below a threshold acceptable to the Bank of Canada.

Interest Calculation: Interest on the funds will be calculated on an actual/365 day basis.

Coupon and Principal Payments: All coupon and principal (for NHA MBS) payments received by the Bank of Canada on the collateral during the term of the transaction will be kept by the Bank of Canada. The final settlement amount will be adjusted, as required, to account for these receipts in accordance with the Bank of Canada's Purchase and Resale Agreement.

Counterparty Settlement Instructions: Collateral shall be delivered to the Bank of Canada by 3 p.m. (Ottawa time) through CDSX on the settlement day of the auction, on a delivery of securities versus payment of funds basis. Collateral to be delivered shall be confirmed with and priced by the Bank of Canada after the auction and prior to delivery.

Bank of Canada CDS settlement CUID is BOCB.

Substitution: There is no substitution of collateral unless specifically noted in the operation details released ahead of the auction.

Legal Arrangements: Eligible counterparties must have made the appropriate legal arrangements with the Bank of Canada.

The Bank of Canada reserves the right to change the terms of subsequent Term PRA transactions by posting a revised version of these Terms and Conditions.

Each bid shall be unconditional and shall be received by the Bank of Canada, not later than the time, and on the auction day, announced ahead of the auction.