



The Bank of Canada's Liquidity Operations since August 2007: Actions and Policy Developments

Recommendations

1. Ensure operational framework can achieve policy rate target
- 2 & 3. Ensure ability to conduct liquidity operations effectively, even when key markets are illiquid

Actions & Policy Developments

- intraday use of SPRAs and SRAs and end-of-day target for next-day settlement balances
- no change in policy
- temporary expansion of range of securities eligible for overnight operations
- series of term purchase and resale agreements against a broader-than-normal range of securities
- expansion of range of collateral acceptable for Standing Liquidity Facility (to include some ABCP and U.S. Treasuries)
- changes to BoC Act (subsection 18.1(1)); to address "exceptional" circumstances" policy will allow a broader range of securities for buyback operations
- possible use of a term securities-lending facility and term loan facility



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4. Ensure cross-border liquidity problems can be addressed
5. Enhance communications during times of stress
6. Reduce any stigma associated with use of standing loan facilities
7. Limit moral hazard

Actions & Policy Developments

- U.S. Treasuries made eligible for Standing Liquidity Facility
- BoC continues to have swap line with Federal Reserve
- communications regarding operations
- speeches by members of Governing Council
- advance notice of conditions for phase-out of term PRAs
- little existing stigma for Standing Liquidity Facility
- little stigma expected for term loan facility
- principles developed to guide intervention