

Bank of Canada Announces Further Details of its Term PRA Facility for Private Sector Money Market Instruments

NOTICE – Friday, 17 October 2008, 15:00 (ET)

The Bank of Canada announced today further details of its temporary additional Term Purchase and Resale Agreement (PRA) facility for private sector money market instruments.

Further details of an auction to be held on 27 October will be announced on 23 October.

Eligibility

This term PRA will be transacted with Primary Dealers (PDs)¹ on a direct basis and other eligible money market participants on an indirect basis. Eligible indirect bidders will consist of institutions which can demonstrate significant activity in the Canadian dollar wholesale money markets and which are subject to Federal or Provincial regulation.

Eligible Securities

The eligible securities for these transactions will consist of Canadian-dollar denominated:

- Bankers' acceptances and promissory notes, including those of foreign issuers, (maximum term, 364 days) with a minimum issuer credit rating of R1 (low) by the Dominion Bond Rating Service (DBRS), or A-1 (mid) by Standard and Poor's (S&P), or P1 by Moody's Investors Service (Moody's);
- Commercial paper, including that of foreign issuers, (maximum term, 364 days) with a minimum issuer credit rating of R1 (low) by DBRS, or A-1 (mid) by S&P, or P1 by Moody's;
- Asset-backed commercial paper of eligible programs, with a minimum of two credit ratings, at least two ratings that are either R1 (high) by DBRS, A-1 (high) by S&P, P1 by Moody's, or F1+ by Fitch Ratings.

Securities issued or guaranteed by affiliates² are not eligible, with the exception of bank-sponsored ABCP which has met the Bank of Canada's criteria.

Collateral margins and concentration limits will be the same as those used in existing Term PRA operations.³

Bidding Process

Bids from each indirect participant must be submitted through a single PD. All settlement of indirect bidder bids will be undertaken through the PDs submitting those bids. A maximum of two bids can be submitted by each participant. Bids must be submitted on a yield basis, to three decimal places, and will be allocated on a multiple yield basis.

Bidding Limits

Each PD will have a bidding limit of 25 per cent of the auctioned amount on their own behalf. Aggregate limits will apply as in existing Term PRA transactions⁴. Each indirect

bidder will have a bidding limit of 25 per cent and will also be subject to the existing concentration limits. Entities that do not have a strict arm's length relationship with one another (i.e. affiliates of the entities) are considered one bidder for the purpose of term PRA operations. The minimum bid amount will be \$25 million. The minimum amount of any individual security offered will be \$10 million.

Application Process

Eligible counterparties interested in participating at this term PRA auction as an indirect bidder will be asked to complete an application form and, if the application is accepted, to have agreed with and signed the PRA agreement with the Bank of Canada two business days prior to the operation.

Minimum Bid Rate

The minimum bid rate will be announced on 23 October, and will be calculated on the basis of a spread of 75 bps over the OIS curve.

Term to Maturity

The term to maturity, which will be 14 to 28 days, will be announced on 23 October.

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1. Primary Dealers are listed at http://www.bankofcanada.ca/en/markets/markets_auct.html
 2. Definition of affiliated party can be found in the Terms of Participation in Auctions at http://www.bank-banque-canada.ca/en/markets/markets_auct.html
 3. Collateral margins and concentration limits can be found at: http://www.bankofcanada.ca/en/notices_fmd/2008/not061008_pra.html
 4. Aggregate limits can be found at: http://www.bankofcanada.ca/en/notices_fmd/2008/not031008_pra.html