



BANK OF CANADA

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### **Government of Canada Pilot Bond Buyback Program Launch: Operational Framework**

On behalf of the Minister of Finance, the Bank of Canada announced today the operational framework for the previously announced pilot bond buyback program. The program is designed to support the maintenance of a liquid Government of Canada new issue bond market through the repurchase of less liquid outstanding bonds and the issuance of replacement current benchmark bonds. Design of the operational framework is based on extensive consultations with market participants. The pilot program will run through the remainder of the 1998-99 fiscal year.

#### **Overview of Operational Framework**

Bond buyback operations will be conducted through purchases on behalf of the government by the Bank of Canada, in the period up to seven days following selected bond auctions. Planned buyback transactions will be announced at the same time as bond auction sizes are announced. Specific bonds targeted for repurchase will be identified, and will be within a range of maturities close to the auction maturity. The maximum size for the operation will also be announced.

The Bank of Canada will accept offers to sell the listed bonds up to 12:30 p.m. on the day of operation. Government Securities Distributors (GSD) are eligible to participate in the buyback program. To minimize turnaround time for processing offers, a maximum of three offers per targeted bond will be accepted from each GSD.

For the pilot program, the following bonds will not be eligible for repurchase: the current benchmark bond, and the two preceding benchmark bonds at each maturity as well as bonds in the CGB and CGF futures deliverable baskets. Buyback transactions will be settled on a cash basis, with settlement based on market convention. The repurchased bonds will subsequently be cancelled.

Every effort will be made to announce the results of the buyback operation no later than one hour after the bidding period ends. The results will include the amount of each bond bought back, the new outstanding amount for the repurchased bonds and the cut-off yield for each repurchased bond.

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