



STANDARD TERMS FOR SWITCH OPERATIONS OF GOVERNMENT OF CANADA MARKETABLE BONDS

1. The Minister of Finance hereby gives notice that all tenders submitted by authorized government securities distributors (“government securities distributors”) on or after the date set out below, to exchange Government of Canada marketable bonds issued pursuant to the Financial Administration Act (“repurchase bonds”) for other series of Government of Canada marketable bonds (“replacement bonds”) shall be subject to these *Standard Terms for Switch Operations of Government of Canada Marketable Bonds*.
2. Each tender shall be unconditional and shall be received by the Bank of Canada, acting on behalf of the Department of Finance Canada, not later than the time, and on the auction day, specified in the *Switch Operation Call for Tenders* to which the tender is a response.
3. Government securities distributors and customers may submit competitive tenders only. Tenders may be submitted by both government securities distributors and by customers, provided that, in the case of a tender by a customer, the customer has obtained a bidder identification number from the Bank of Canada prior to the tender. Tenders by customers must be submitted through a government securities distributor and include the customer’s bidder identification number. Where a government securities distributor submits tenders both on its own behalf and on the behalf of a customer with a bidder identification number, the tenders on behalf of the customer must be listed separately from the distributor’s own tenders.
4. For each targeted repurchase bond, neither the total amount of bonds tendered by a government securities distributor on its own behalf nor the total amount of bonds tendered by a customer with a bidder identification number may exceed the least of the total outstanding amount of the targeted repurchase bond and twice the maximum total replacement amount specified in the *Switch Operation Call for Tenders*. For each targeted repurchase bond included in the *Switch Operation Call for Tenders*, government securities distributors may submit up to five tenders on their own behalf and up to five tenders on behalf of each of their customers with a bidder identification number. Each tender must be stated in multiples of \$1,000 subject to the condition that each individual tender be for a minimum par value of \$1,000,000. Each tender shall state the yield spread, calculated as the yield to maturity of the repurchase bond less the yield to maturity of the replacement bond (the “yield spread”), in basis points to one decimal place. Government securities distributors shall not make a tender directly or indirectly on behalf of, or in concert with, any other government securities distributor.
5. The replacement bond price will be released on the enter tenders page on the *Communication, Auction and Reporting System* provided by the Bank of Canada prior to the deadline for submitting tenders. The repurchase bond price for each accepted tender will be determined on the basis of the accepted yield spread submitted, added to the replacement bond yield to maturity. The calculation of the price for accepted tenders will be carried to three decimal places on the basis of price per hundred, plus accrued interest if applicable.
6. Tenders shall be submitted to the Bank of Canada, acting on behalf of the Department of Finance Canada, via the *Communication, Auction and Reporting System* provided by the Bank of Canada. Neither the Minister of Finance nor the Bank of Canada shall bear any liability whatsoever for any errors in tenders received or for delays in the transmission of tenders. With the prior permission of the Bank of Canada, tenders may alternatively be submitted on the official tender forms.
7. The Minister of Finance reserves the right to accept or reject any or all tenders, in whole or in part, including without limitation, the right to accept less than the maximum replacement amount specified in the *Switch Operation Call for Tenders*.
8. All repurchase bonds delivered pursuant to tenders from government securities distributors must be submitted free and clear of all liens, charges, claims, encumbrances, security interests or other restrictions of any kind and a government securities distributor, in delivering repurchase bonds, is deemed to warrant and represent that all bonds delivered by it are free and clear.



9. The operation results will be made available on the *Communication, Auction and Reporting System* provided by the Bank of Canada on the day of the auction, and those submitting tenders may thereby confirm the acceptance or rejection, in whole or in part, of the submitted tenders.
10. The Bank of Canada is eligible without restriction to participate in each switch operation.
11. No fees or commissions will be paid by the Government of Canada in connection with any switches of Government of Canada marketable bonds.
12. In taking delivery of the repurchase bonds from government securities distributors and in delivering the replacement bonds to government securities distributors, the Bank of Canada will, until further notice, utilize the Debt Clearing Service (DCS) provided by The Canadian Depository for Securities Limited (CDS). The delivery of repurchase bonds from a customer and the delivery of replacement bonds to a customer shall be settled through the government securities distributor who submitted the tender for the customer.
- (a) The purchase of repurchase bonds from a government securities distributor from whom a tender is accepted shall be effected through the settlement of a purchase in the DCS, involving the book entry transfer of repurchase bonds from the DCS securities account designated by the government securities distributor, to the Bank of Canada's DCS securities account, in exchange for a DCS funds transfer of the amount owing by the Government of Canada in connection with the purchase of the repurchase bonds.
 - (b) Upon settlement of the repurchase transaction from a government securities distributor, the replacement bond allocation to the successful government securities distributor shall be effected through the settlement of a sale in the DCS, involving the book entry transfer of the replacement bonds from the Bank of Canada's DCS securities account, to the DCS securities account designated by the government securities distributor, in exchange for a DCS funds transfer of the amount owing by the government securities distributor in connection with the purchase of the replacement bonds.
 - (c) Government securities distributors shall observe all applicable CDS Rules, Procedures and User Guides for the Debt Clearing Service. Government securities distributors are responsible for the delivery, on the day stipulated in the *Switch Operation Call for Tenders*, of any Government of Canada marketable bond which it has successfully tendered to the Government of Canada.
13. A global certificate for the full amount of the replacement bonds will be issued in fully registered form in the name of "CDS & Co.", a nominee of CDS. Principal and interest on the bonds will be paid in lawful money of Canada to CDS & Co. The bonds must be purchased, transferred or sold directly through a participant in the DCS. If at any time, the Minister of Finance determines that it is no longer practicable or appropriate to use CDS, the Minister may select another depository for the purpose of registration and settlement of the bonds, or may direct that individual certificates be made available to bondowners in integral multiples of \$1,000. The bonds are authorized pursuant to an Act of Parliament and both principal and interest are a direct charge on, and payable out of, the Consolidated Revenue Fund of Canada.
14. The Minister of Finance may, at his option, cancel any Government of Canada marketable bond purchased.