STANDARD TERMS FOR AUCTIONS OF
GOVERNMENT OF CANADA ULTRA LONG BONDS

1. The Minister of Finance hereby gives notice that all tenders (bids) submitted by authorized government securities distributors (“government securities distributors”), on or after the date set out above, for Government of Canada marketable bonds having a term to maturity of 40 years or longer issued pursuant to the Financial Administration Act (“Ultra Long Bonds”) shall be subject to these Standard Terms for Auctions of Government of Canada Ultra Long Bonds and all schedules and appendices thereto (the “Auction Terms”). As a category of Government of Canada domestic nominal bonds, Ultra Long Bonds shall be governed by the Legal Terms and Conditions for Government of Canada Domestic Nominal Bonds (the “Legal Terms”). In the event of any conflict or inconsistency between the Auction Terms and the Legal Terms, the latter shall prevail, except that, unless otherwise specified herein, the Auction Terms shall exclusively govern the conduct of any auction of Ultra Long Bonds, and in the event of any conflict or inconsistency between the Auction Terms and the Legal Terms with respect to any such auction, the Auction Terms shall prevail.

Each tender:

   a. shall be unconditional, and

   b. must be received by the Bank of Canada, acting on behalf of the Minister of Finance, not later than the time, and on the auction day, specified in the call for tenders to which the tender is a response (the “Call for Tenders”).

2. Any customer of a government securities distributor may participate in Ultra Long Bond auctions by bidding through a government securities distributor, provided that such customer has obtained from the Bank of Canada prior to the tender either a bidder identification number for Government of Canada marketable bond and treasury bill auctions (a “regular BIN”) or an Ultra Long Bond bidder identification number (“Ultra BIN”).

3. All government securities distributors and customers participating in auctions of Ultra Long Bonds must comply with the requirements applicable to them set out in the Terms of Participation in Ultra Long Bond Auctions for Government of Canada Securities Distributors and Customers attached hereto as Schedule A (the “Terms of Participation for Ultra Long Bonds”), including but not limited to the non-competitive bidding limits, competitive auction limits and competitive bidding limits set out in the Terms of Participation for Ultra Long Bonds.

4. Government securities distributors and customers may bid for Government of Canada Ultra Long Bonds, subject to their own respective auction limits, as set out in and as further subject to the Terms of Participation for Ultra Long Bonds. Government securities distributors must also observe a separate limit for the aggregate amount of bids they submit on behalf of customers, as specified in the Terms of Participation for Ultra Long Bonds. Where a government securities distributor submits bids both on its own behalf and on the behalf of a customer, the bids on behalf of the customer must be listed separately from the government securities distributor’s own bids. All bids by customers must be submitted through a government securities distributor and include the customer’s regular BIN or Ultra BIN, as the case may be.
5. Subject to the bidding limits set out in the summary table in Section 3 of the Terms of Participation for Ultra Long Bonds, Government securities distributors may submit competitive tenders or non-competitive tenders, or both. Subject to the conditions set out in (a) and (b) below, all non-competitive bids for Government of Canada securities will first be accepted in full, and then competitive bids will be accepted in rising order of yield until the full amount of the issue specified in the Call for Tenders (or such lesser amount as the Minister of Finance has accepted pursuant to Section 8 below) is allotted. All non-competitive and successful competitive bids will be allotted at the highest yield of accepted competitive bids.

a. Bidders may submit up to seven bids per maturity. These bids must be stated in multiples of $1,000, subject to the condition that each individual bid be for a minimum of $100,000. Each bid shall state the yield to maturity to three decimal places. Government securities distributors shall not bid directly or indirectly on behalf of, or in concert with, any other government securities distributor.

b. Government securities distributors may submit only one non-competitive bid on their own behalf for each issue of Ultra Long Bonds (except those government securities distributors that do not act as principal in the purchase and sale of Government of Canada securities directly with customers and other financial intermediaries). Government securities distributors can also bid non-competitively on behalf of customers. Each non-competitive bid must be stated in multiples of $1,000 subject to a minimum of $100,000 per bid.

6. In the event a new maturity of an Ultra Long Bond is offered, the coupon rate will be specified in the Call for Tenders. The calculation of the purchase price for accepted bids will be carried to three decimal places on the basis of price per hundred. In the event of a re-opening of an outstanding maturity, successful bidders will be allotted Ultra Long Bonds at the price equivalents of the highest yield of accepted competitive bids, plus accrued interest, if applicable.

7. Tenders shall be submitted to the Bank of Canada, acting on behalf of the Minister of Finance, via the Bank of Canada Auction 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. If it is not possible for a bidder to submit tenders via the Bank of Canada Auction System, the bidder may, with the prior permission of the Bank of Canada, submit its tenders on an official tender form.

8. The Minister of Finance 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 in the Call for Tenders.

9. The auction results will be made available on the Bank of Canada Auction System 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 auction.

11. No fees or commissions will be paid by the Government of Canada in connection with the auction of Ultra Long Bonds conducted in accordance with these terms.

12. In delivering Ultra Long Bonds to government securities distributors, the Bank of Canada will, until further notice, utilize CDSX provided by CDS Clearing and Depository Services Inc. (“CDS”).
delivery of Ultra Long Bonds to a customer shall be settled through the government securities distributor who submitted the bid for the customer. The allocation of Ultra Long Bonds to each government securities distributor from whom a bid is accepted shall be effected through the settlement of a sale in CDSX, involving the book entry transfer of Ultra Long Bonds from the Bank of Canada’s CDSX securities account to the CDSX securities account designated by the government securities distributor, in exchange for a CDSX funds transfer of the net new issue amount owing by the government securities distributor. Government securities distributors shall observe all applicable CDS Rules, Procedures, and User Guides for CDSX. Government securities distributors are responsible for the settlement, on the day stipulated in the Call for Tenders, of any accepted bids that they have submitted on their own behalf or on the behalf of a customer, and shall be liable to the Bank of Canada for any losses incurred as a result of those sales failing to settle in CDSX.

13. Principal and interest on Ultra Long Bonds will be payable in lawful money of Canada paid to CDS & Co. Ultra Long Bonds must be purchased, transferred, or sold directly or indirectly through a participant in CDSX. 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 Ultra Long Bonds, or may direct that individual certificates be made available to Ultra Long Bond owners in integral multiples of $1,000. The Ultra Long Bonds are authorized pursuant to an Act of Parliament, and all amounts payable under the applicable terms of those securities are a direct charge on, and payable out of, the Consolidated Revenue Fund of Canada.
Schedule A

TERMS OF PARTICIPATION IN ULTRA LONG BOND AUCTIONS FOR GOVERNMENT SECURITIES DISTRIBUTORS AND CUSTOMERS

The definition, status and responsibilities of government securities distributors in respect of auctions of Ultra Long Bonds shall be determined by the terms of participation for government securities in effect as of the date of the applicable Call for Tender (unless otherwise specified in such Call for Tender)(the “Applicable Terms of Participation”). For greater certainty, the terms specified in this Schedule are applicable to government securities distributors only in respect of their participation in Ultra Long Bond Auctions and are not intended to modify or replace the Applicable Terms of Participation in respect of auctions for securities other than Ultra Long Bonds. In the event of any conflict or inconsistency between the Applicable Terms of Participation and the Terms of Participation in Ultra Long Bond Auctions for Government Securities Distributors and Customers, the latter shall prevail. For an explanation of the terms used herein, refer to Appendix 1 – Explanation of Terms.

Sections that apply only to government securities distributors or only to customers are labelled as such under the appropriate headings.

1. Bidders

1.1 The bidder definition covers all government securities distributors and customers and applies to both legal entities (hereafter referred to as “entities”) and individuals. Refer to Appendix 2 – Affiliated vs. Non-Affiliated Parties for the definition of “entity”.

1.2 All bidders must certify, at such times and in such form as the Bank of Canada may require, that they are not bidding in concert with any other bidder.

1.3 A government securities distributor must not be affiliated with another government securities distributor.

1.4 Entities that are affiliated are considered one bidder for the purposes of Ultra Long Bond auctions. To avoid being considered a single bidder, affiliated entities must certify that they do not exchange with one another information about yields, amounts, positions they hold or plan to hold, or their investment strategies with respect to the securities being auctioned. For the criteria used to determine whether one entity is “affiliated” with another, refer to Appendix 2 – Affiliated vs. Non-Affiliated Parties.

1.5 An affiliate must promptly notify the Bank of Canada, in writing, of a change in the circumstances that enable the affiliate to qualify for separate-bidder status, or if its certification is no longer valid.

1.6 Any entity that implements the conditions necessary to be considered a separate bidder must direct all bids and purchases through a non-affiliated government securities distributor.

---

1 If the Call for Tender is dated prior to 1 November 2016, the Applicable Terms are the Terms of Participation in Auctions for Government Securities Distributors. If the Call for Tender is dated on or after 1 November 2016, the Applicable Terms are the Terms of Participation in Auctions for Government Securities Distributors and Customers (Schedule “A” to the Standard Terms for Auctions of Government of Canada Securities).
1.7 All bidders must notify the Auction Line at the Bank of Canada (613-782-7719) of any changes in auction contact information.

2. Submission of Bids

**Government Securities Distributors**

2.1 Government securities distributors are able to bid competitively and non-competitively on their own behalf subject to the auction limit and bidding limit, set out in the summary table in Section 3 below.

2.2 Government securities distributors also have a separate limit for the total amount of bids that they can place on behalf of customers (the customer submission limit). These bids must be listed separately from the government securities distributor’s own bids. Government securities distributors are not authorized to submit pre-tender orders from customers under the government securities distributor’s own bidding limit.

**Customers**

2.3 Bidding by each customer is subject to the auction limit and bidding limit set out in the summary table in Section 3 below.

2.4 Each customer is required to obtain from the Bank of Canada a unique bidder identification number, which can be used for all Government of Canada marketable securities auctions (a “regular BIN”) or a bidder identification number that can be used only for Ultra Long Bond auctions, (an “Ultra BIN”) before it can bid. The Bank of Canada can de-activate the regular BIN or Ultra BIN of any customer that has not bid at an auction over a period of one year. Any customer whose regular BIN or Ultra BIN has been de-activated must re-apply, no earlier than three months following the deactivation, to obtain a new regular BIN or Ultra BIN from the Bank of Canada before it can resume bidding.

2.5 Customers must submit bids through a government securities distributor. Customer bids must be listed separately from the distributor’s own bids and must be accompanied by the customer’s regular BIN or Ultra BIN.

2.6 A customer may submit its bids through more than one government securities distributor, as long as the total amount of its bids does not exceed the customer’s auction limit.

2.7 It is the responsibility of each customer to ensure that the total of its bids through all government securities distributors does not exceed its auction limit.

2.8 A customer’s ability to bid through a government securities distributor might be constrained by the government securities distributor’s limit for customer bids and allocation of its aggregate limit.

2.9 Customer bids are not netted against the limits of government securities distributors.

3. Bidding Limits for Auctions of Ultra Long Bonds

3.1 Table 1 sets out the bidding limits for auctions of Government of Canada Ultra Long Bonds.
<table>
<thead>
<tr>
<th>Bidder Classification</th>
<th>Competitive Bidding</th>
<th>Non-Competitive Bidding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government Securities Distributors</strong></td>
<td>Bidding limits equal the auction limit, which is 40 per cent of the maximum auction size indicated in the Call for Tenders. There is no bidding requirement.</td>
<td>$3 million</td>
</tr>
<tr>
<td>For own account</td>
<td>40 per cent of the maximum auction size indicated in the Call for Tenders</td>
<td>$5 million</td>
</tr>
<tr>
<td>For each customer</td>
<td>The aggregate bids submitted by a government securities distributor on its own behalf and on behalf of its customers cannot exceed 70 per cent of the maximum auction size indicated in the Call for Tenders</td>
<td>The sum of non-competitive bids submitted by a government securities distributor on behalf of its customers and its own behalf cannot exceed $13 million</td>
</tr>
<tr>
<td>In aggregate (for own account and for its customers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>40 per cent of the maximum auction size indicated in the Call for Tenders</td>
<td>$5 million</td>
</tr>
</tbody>
</table>

---

1 Entities that are affiliated will be considered one bidder for purposes of calculating their bidding limit. See Appendix 2 — Affiliated vs. Non-Affiliated Parties.
2 Non-competitive bids are made without specifying a price or yield. Non-competitive allocations are made at the highest yield of accepted competitive bids.
3 Government securities distributors that do not act as principal in the purchase and sale of Government of Canada securities directly with customers and other financial intermediaries have a competitive bidding limit of 0 per cent and a non-competitive bidding limit of $0 for their own account.
4. Reporting Requirements

Reporting of Net Positions

4.1 When submitting their own bids, bidders are not required to report to the Bank of Canada their aggregate net positions in the Ultra Long Bond being auctioned under that call for tender.

Bid Certification and Verification

4.2 Every bidder is required to certify that the information it provides to the Bank of Canada is correct. These certificates are to be forwarded to the Bank of Canada on an annual basis by the internal audit departments of government securities distributors.

4.3 In order to maintain market integrity, the Bank of Canada may verify the accuracy and completeness of customer bids submitted by government securities distributors.

Market Information

All Bidders

4.4 In the event that the Bank of Canada is of the view that there is or has been unusual trading activity in a Government of Canada security for a persistent period of time, the Bank may require government securities distributors to disclose the names and activities of customers involved in such trading.

4.5 The Department of Finance and the Bank of Canada can, at their discretion, investigate whether activity has contravened auction rules. If the Department of Finance or Bank of Canada suspects that there may have been an attempt to manipulate the market for Government of Canada securities, the Department of Finance or the Bank of Canada may: (i) notify the appropriate regulatory authorities; and (ii) refer such incidents to IIROC for investigation of possible violations of its Rule 7100, the Code of Conduct for Corporation Dealer Member Firms Trading in Wholesale Domestic Debt Markets.

Government Securities Distributors

4.6 Government securities distributors are required to make available real-time information on fixed-income prices and yields. Government securities distributors may also, from time to time, be required to (i) report secondary market trading; and (ii) provide detailed issue-specific trading reports to the Bank of Canada. The purpose of such reports will typically be to clarify the reasons for specific securities to trade in the cash and repo markets at prices divergent from issues of similar maturity.

4.7 In order to provide assurance that government securities distributors are maintaining a sound financial position, the Bank of Canada may require information regarding their capitalization and profitability from their regulatory authority.
5. **Code of Conduct**

Each bidder must comply with IIROC Rule 7100, Code of Conduct for Corporation Dealer Member Firms Trading in Wholesale Domestic Debt Markets, to the extent applicable to such bidder.

6. **Monitoring and Compliance**

6.1 Bidders are not required to report their aggregate Ultra Long Bond net positions in their annual compliance reports under the *Terms of Participation in Auctions for Government Securities Distributors and Customers*, if applicable.

6.2 The Department of Finance and the Bank of Canada may sanction a bidder if they are of the view that the bidder has: attempted to manipulate the market for Government of Canada securities; made an incorrect representation or certification; failed to provide information required under these Terms, or provided information that was incorrect, inaccurate, or incomplete or participated in any other breach of these Terms or, in the case of government securities distributors, of IIROC Rule 7100, Code of Conduct for Corporation Dealer Member Firms Trading in Wholesale Domestic Debt Markets. In the case of customers, the Department of Finance and the Bank of Canada may also refer the incident to IIROC or any other regulatory authority.

6.3 Before imposing a sanction, the Department of Finance and the Bank of Canada will contact the bidder in question to notify the firm of their intention to impose a sanction, and to provide the firm with an opportunity to explain the situation.

6.4 The sanctions that the Department of Finance and the Bank of Canada may impose include suspending the bidder from participating in one or more future auctions; and changing, on a temporary or permanent basis, the government securities distributor’s bidding limits. In the event of behaviour that the Department of Finance and the Bank of Canada consider to be fundamentally incompatible with a firm continuing to act as a bidder, the Department of Finance and the Bank of Canada may

6.4.1 in the case of a government securities distributor, revoke the government securities distributor’s status as a government securities distributor; or

6.4.2 in the case of a customer, revoke the customer’s access to auctions.

6.5 Sanctioning of bidders in the case of an infraction related to these Terms is based on a surveillance framework that ensures the fair and consistent treatment of all parties involved.

6.6 Any outstanding obligations or liabilities owed by a bidder to the Bank of Canada or the Government as a result of past participation in auctions shall survive the imposition of any sanction on that bidder.
Appendix 1 – Explanation of Terms

Terms used in the Standard Terms for Auctions of Government of Canada Ultra Long Bonds (which includes the Terms of Participation in Auctions for Government Securities Distributors and Customers attached thereto as Schedule “A”) and defined below have the meanings set out below.

Definitions:

Aggregate limit means the maximum amount for which a government securities distributor and its customers can bid in combination.

Auction limit means the maximum amount for which a government securities distributor or customer is allowed to bid at a specific auction. The auction limit is equal to the bidding limit adjusted for long positions in the securities being auctioned. An auction limit is equal to or smaller than the bidding limit.

A bid is an offer to purchase a stated par amount of securities at an auction, either on a competitive or non-competitive basis. An offer to purchase a stated par amount of securities submitted by a government securities distributor to fulfill a guarantee to sell a specified amount of securities at an agreed-upon price or a price fixed in terms of an agreed-upon standard is a bid of the government securities distributor and not a bid of a customer. The terms “tender” and “bid” are interchangeable and have the same meaning, unless the context requires otherwise.

A bidder is a person or an entity that bids either directly or through an entity authorized to submit bids for customers in an auction. In some cases, two or more persons or entities are considered to be one bidder, based on their relationship. The term “bidder” is used collectively to refer to government securities distributors and customers, as the context requires.

Bidding limit means the government securities distributor’s or customer’s limit prior to adjusting for long positions. If a government securities distributor or a customer does not have a long position, its auction limit would equal its bidding limit.

The coupon rate for an Ultra Long Bond means the annual rate of interest stated to be payable on the principal amount of such Ultra Long Bond as determined on the date of issue.

A customer is a bidder on whose behalf a government securities distributor has been directed to submit a competitive or non-competitive bid for a specified amount of securities at a specific price.

Customer submission limit means the maximum amount of bids a government securities distributor is allowed to submit on behalf of its customers.

A government securities distributor is an entity that has been given notice of its status as such by the Bank of Canada and applies to those bidders eligible to participate directly in the tender process at Government of Canada auctions.

The maturity of an Ultra Long Bond means the maturity date for such Ultra Long Bond specified in the applicable Call for Tenders.
Appendix 2 — Affiliated vs. Non-Affiliated Parties

2.1 Definition of Affiliated Party

Legal entities (hereafter referred to as “entities”) may bid at auctions, either directly or indirectly. Various operational components, departments, or divisions within the same entity will not be considered separate bidders at auctions. Only entities that are not affiliated with any other bidder may submit a separate auction bid for Ultra Long Bonds. Entities that are considered under these rules to be affiliated will be treated collectively as a single bidder unless they can meet, to the satisfaction of the Bank of Canada and the Department of Finance, the criteria set out for treating otherwise affiliated parties as separate bidders. Individuals may only bid indirectly at an auction, i.e., through one or more government securities distributors.

Two persons are affiliated if one is controlled by the other or if both are controlled by the same person.

A person is affiliated with an entity if that person is a director or senior officer of the entity.

A person controls a corporation if:

- Securities of the corporation to which are attached more than 50 per cent of the votes that may be cast to elect directors of the corporation are beneficially owned by that person and the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the corporation;

- The aggregate of (i) any securities of the corporation that are beneficially owned by that person and (ii) any securities of the corporation that are beneficially owned by any entity controlled by that person is such that, if that person and all of the entities controlled by it that beneficially own securities of the corporation were one person, that person would control the corporation; or

- That person controls an entity that controls the corporation.

A person controls a limited partnership if:

(a) That person is a general partner of the limited partnership; or

(b) That person controls an entity that controls the limited partnership.

A person controls an unincorporated entity, other than a limited partnership, if:

(a) More than 50 per cent of the ownership interests, however designated, into which the entity is divided are beneficially owned by that person and that person is able to direct the business and affairs of the entity; or

(b) That person controls an entity that controls the unincorporated entity.

A person controls a trust if:

(a) that person is a trustee of the trust, or

(b) that person controls a trustee of the trust.
A person controls any entity if that person has any direct or indirect controlling influence over the management and policies of the entity, whether alone or in combination with one or more other persons and whether through the beneficial ownership of securities, through one or more other persons or otherwise.

For the purpose of determining control, the term “Entity” includes the following:

- corporations
- partnerships
- trusts
- funds
- unincorporated associations or organizations
- Her Majesty in Right of Canada or of provincial governments
- agencies of Her Majesty in either of such rights
- governments of foreign countries or any political subdivisions thereof and any agencies thereof
- foreign central banks
- international organizations.

“Person” means an individual or an entity, as the context requires.

2.2 Requirements to Establish Non-Affiliated Status within a Corporate Group

The definition of a bidder permits an otherwise affiliated entity within a corporate group to bid separately if it is prepared to organize itself in such a manner that there is no exchange of information on auction bidding and strategy between it and other affiliated entities. Specifically, two or more entities that are affiliated may submit separate bids provided that each affiliate has certified to the Bank of Canada that it meets certain specified criteria meant to prevent the exchange of information on auction bidding and strategy, and that it has established written policies and procedures designed to ensure continued compliance. The criteria include: (i) the affiliate does not act jointly or in concert with any of the other affiliates with respect to securities; (ii) no director, officer, partner, employee, or agent of the affiliate that purchases Government of Canada securities at auctions or advises with respect to, participates in the formulation of, has influence over, or has knowledge of decisions or information relating to holdings, investment, or bidding strategies in or for Government of Canada securities by or on behalf of that affiliate, also engages in any of the same activities or has any of the same knowledge in respect of Government of Canada securities for or on behalf of any of the other affiliates;² (iii) the affiliate does not exchange information related to bidding at auctions with any of the other affiliates; and (iv) each affiliate maintains its records relating to holdings of and investment and bidding strategies for Government of Canada securities separate and apart from the records of any of the other affiliate.

² This criterion does not apply with respect to (i) individuals who are either involved in senior management or engaged solely in clerical or administrative activities and who do not in either case make decisions relating to holding, investing and bidding for Government of Canada securities and (ii) knowledge of information that has been generally and publicly disseminated.