

## **Indicative Process for Tenders under the Bank of Canada Corporate Bond Purchase Program—Buy-side Participant CBPP Tender Process**

The guidelines below facilitate buy-side participation in the Bank of Canada's Corporate Bond Purchase Program (CBPP). Buy-side participants must register with the Bank to use the CBPP program. Registered participants will receive a unique CBPP bidder identification number (BIN), which identifies their tenders. Tenders may only be submitted for bonds whereby the full amount of the securities offered are freely tradable and unencumbered (i.e., the bonds tendered are not subject to any securities-lending arrangement or repurchase agreement). The minimum tender amount per Committee on Uniform Securities Identification Procedures number (CUSIP) is currently \$1 million. Any change to this minimum will be announced on the Bank's CBPP webpage.

Participants' successful tenders are settled through the designated primary dealer (PD). In other words, the buy-side participant sells the bond to the PD at the accepted tender price, and the PD sells the bond to TD Asset Management Inc. (TDAM) at the same price for settlement on the designated date. Only the Bank of Canada, CanDeal and the designated PD through which the participant settles any successful tender will know the identity of the buy-side participant.

### **Buy-side participant access**

Registered buy-side participants with a BIN who have provided their contact details to CanDeal will receive by email the list of bonds eligible for each CBPP operation (see timeline below).

Participants can access the tender process in two ways:

1. Directly through their PD without having access to the CanDeal CBPP Messenger:
  - Participants can designate multiple PDs to tender offers. However, only one unique offer per CUSIP is allowed. For example, participants can use two different PDs to provide offers on two different CUSIPs, but they cannot use two PDs to provide two offers (whether the same or different) on the same CUSIP.
  - Since successful tenders will be settled through a designated PD, participants must confirm in advance with the PD that they intend to offer bonds into the CBPP through that PD.
  - The participant and the PD must mutually agree on the process for providing the required tender information.
  - Participants must provide their BIN to the PD so that the PD can enter the offers into the CanDeal CanAuction platform. CBPP purchases are conducted through a spread-based reverse auction using the CanDeal CanAuction platform.
  - Participants must provide the PD the notional amount of bonds to be tendered and the tender spread for each CUSIP that they wish to tender into the CBPP. Participants must also confirm to the PD, for each tender, that the bonds being tendered are freely tradable and unencumbered. All tender details must be provided to the PD prior to the auction closing while allowing enough time for the PD to submit the tenders.
2. Through the CanDeal CBPP Messenger:
  - The CanDeal CBPP Messenger allows participants to enter tenders and send them to their designated PD. To use this functionality, participants must contact CanDeal to be setup.
  - Since successful tenders will be settled through a designated PD, participants must confirm in advance with the PD that they intend to offer bonds into the CBPP through that PD.

Effective date: 6 October 2020

- Participants can designate multiple PDs to provide tender offers. However, only one unique offer per CUSIP is allowed. For example, participants can use two different PDs to provide offers on two different CUSIPs, but they cannot use two PDs to provide two offers (whether the same or different) on the same CUSIP.
- Participants will enter the notional amount tendered, the tender spread and select their designated PD in the CanDeal CBPP Messenger. Participants are also required to verify, for each tendered CUSIP, that the bonds being tendered are freely tradable and unencumbered. All tender details must be entered in the CanDeal CBPP Messenger prior to the auction closing to allow enough time for the PD to submit the tenders.
- The details of the bonds tendered (spread and tendered amount) are transmitted to the designated PD at the time the participant sends the tender offers and the PD is notified.
- If the CanDeal CBPP Messenger is not available, buy-side participants can communicate all tender offers directly to one designated PD (see process #1 above).

**Process timeline:**

- At 10:30 a.m. ET, participants receive the basket of eligible CUSIP numbers and tender size details by email or through the CanDeal CBPP Messenger.
- At 2:30 p.m., the auction window opens. Participants provide their tender offers either directly or via the CanDeal CBPP Messenger to their designated PD.
- At 3:00 p.m., the auction window closes.
- At 3:30 p.m., participants are informed of any tender submission acceptances and rejections through their PD or the CanDeal CBPP Messenger.
- At 4:00 p.m., the CanDeal Government of Canada mid-pricing composite is used to price successful auction tenders. Participants are informed of transaction prices either from their designated PD or via the CanDeal CBPP Messenger.
- After pricing, typical workflow practices are followed for ticket transmission and confirmation with the designated PDs.

**Further information:**

Direct operational enquiries about the overall CBPP process to TDAM at [CBPPOPSTDAM@TDAM.COM](mailto:CBPPOPSTDAM@TDAM.COM).

Direct operational enquiries about CanAuction, including the tender spreadsheet, and the CanDeal CBPP Messenger to CanDeal at [canauction@canddeal.com](mailto:canauction@canddeal.com).