

**AMENDED AND RESTATED INDEMNITY AGREEMENT
(GOVERNMENT OF CANADA SECONDARY MARKET SUPPORT PROGRAM)**

THIS AMENDED AND RESTATED INDEMNITY AGREEMENT dated as of May 26, 2020 is made between the Bank of Canada, a body corporate established by the *Bank of Canada Act* (Canada), and Her Majesty the Queen in Right of Canada, as represented by the Minister of Finance.

WHEREAS:

- A. the Bank has established a Government of Canada Secondary Market Support Program under which it intends to purchase securities issued by the Government;
- B. the Indemnifier has agreed to indemnify the Bank against any and all losses that the Bank may suffer by reason of the sale or other disposition of any such securities following such purchase;
- C. the Bank and the Indemnifier are parties to an Indemnity Agreement dated as of April 1, 2020 (the "Original Indemnity Agreement"); and
- D. the Bank and the Indemnifier have agreed to amendments to the Original Indemnity Agreement and wish to amend and restate the Original Indemnity Agreement.

NOW THEREFORE, for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereby agree that, as of the date hereof, the Original Indemnity Agreement is amended and restated in its entirety as follows:

**ARTICLE 1
INTERPRETATION**

Section 1.1 Defined Terms.

As used in this Agreement, including the recitals, the following terms have the following meanings:

"**Agreement**" means the Original Indemnity Agreement, as amended and restated by this agreement, as further amended, varied or restated from time to time.

"**Bank**" means the Bank of Canada.

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which the Bank or the Department of Finance, Canada is closed for business.

"**Cost**" means, in relation to any Subject Government Security, and at any time, the amortized book value of such Subject Government Security at such time, calculated using the effective interest method, and taking into account, in the case of any Subject Security that is a real return bond, the applicable adjustment for inflation as set out in the terms and conditions of such real return bond, all in accordance with International Financial Reporting Standard 9 (IFRS 9) related to the classification and measurement of

financial instruments, provided that in the case of a Subject Government Security of a class or series, the Cost, at any time, shall be the weighted average Cost of all Subject Government Securities of that class or series, calculated as aforesaid, then held by the Bank, in each case determined by the Bank in good faith. Any and all such calculations and determinations made by the Bank shall be conclusive and binding upon the Indemnifier for all purposes of this Agreement, absent manifest error.

“Disposition” means, in relation to any Subject Government Security, any sale, transfer, assignment, disposition or any other transaction, other than a repurchase transaction, by which the Bank disposes of its interest in such Government Security, and for purposes of this Agreement a Disposition shall be deemed to occur when such transaction settled, or should have settled.

“Government” means Her Majesty the Queen in Right of Canada.

“Government Security” means any security, bond, debenture, note or other instrument representing or evidencing indebtedness, issued by the Government, including any interest therein or any financial asset or security entitlement related thereto.

“Indemnifier” means the Government, as represented by the Minister of Finance.

“Loss” means in respect of a Loss Disposition and a related Subject Government Security, the amount if any by which the Cost of such Subject Government Security at the time of such Loss Disposition exceeds the Net Proceeds to the Bank in relation to such Subject Government Security and such Loss Disposition, and **“Losses”** means the Loss in respect of more than one Loss Disposition.

“Loss Disposition” means any Disposition for which the Cost of the related Subject Government Security at the time of such Disposition exceeds the Net Proceeds to the Bank in relation to such Subject Government Security and such Disposition.

“Net Proceeds” means the net proceeds actually received by the Bank upon, and by reason of, any Disposition of Subject Government Security, after deducting or making provision for all related commissions, discounts and other costs of sale.

“Parties” means the Bank and the Indemnifier, collectively.

“Program” means the Government of Canada Secondary Market Support Program established by the Bank as more fully set out in a Market Notice, issued by the Bank on March 27, 2020, under which the Bank may from time to time acquire Government Securities, as amended, supplemented or replaced from time to time prior to, on or after the date hereof.

“Settlement Amount” means for a Settlement Period, the aggregate amount of all Losses related to all Loss Dispositions during such Settlement Period.

“Settlement Period” means each calendar month beginning with April, 2020.

“Settlement Statement” means, in relation to a Settlement Period, a statement substantially in the form of Schedule B attached hereto, prepared by the Bank, setting out in reasonable detail each Loss Disposition, and in relation to each such Loss Disposition, the calculation of the Cost of the related Subject Government Security, the Net Proceeds of the Loss Disposition and the Loss.

“Subject Government Security” means, as extended by Section 1.2(1) and 1.2 (2), any Government Security acquired by the Bank on or after April 1, 2020, whether in the primary market on issuance, in the secondary market, by completion of a repurchase transaction under which the Bank repurchases or by way of rollover on the maturity of Subject Government Securities then held by the Bank, in all cases as converted, redesignated or exchanged from time to time.

“Termination Date” means April 1, 2050, or such other date as the Parties may agree.

Section 1.2 Designation and Reports

(1) The Bank may, at any time, and from time to time, by notice to the Indemnifier, designate any Government Security acquired (whether in the primary or secondary market) or held by the Bank on or after April 1, 2020, as a Subject Government Security and any such designation shall be conclusive and binding upon the Indemnifier for all purposes of this Agreement.

(2) The records of the Bank shall be conclusive and binding upon the Indemnifier, absent manifest error, with respect to whether any Government Security was acquired by the Bank on or after April 1, 2020 pursuant to the Program, and, therefore, with respect to whether any Government Security is a Subject Government Security.

(3) The Bank shall use reasonable efforts to publish from time to time on its website a description, including the aggregate principal or face amount, of all Subject Government Securities then held by the Bank, provided that the failure of the Bank to so publish shall not limit or reduce the liability of the Indemnifier hereunder.

(4) Upon request made by the Indemnifier, the Bank shall use reasonable efforts to produce and deliver to the Indemnifier a monthly report listing the Subject Government Securities acquired since the last such report, whether in the primary or secondary market, on issuance or by way of rollover, setting out such details as CUSIP, ISIN or other identifying security number, principal amount, maturity date and coupon, provided that the failure of the Bank to use reasonable efforts to produce and deliver such a report or reports shall not limit or reduce the liability of the Indemnifier hereunder.

Section 1.3 Headings, etc.

The division of this Agreement into Sections and other subdivisions and the insertion of headings are for convenient reference only and do not affect its interpretation.

Section 1.4 Recitals.

The recitals form an integral part of this Agreement.

Section 1.5 References to Agreements.

Except as otherwise provided in this Agreement, any reference to this Agreement or any other agreement or document means this Agreement or such other agreement or document as the same may have been or may from time to time be amended, modified, extended, renewed, restated, replaced or supplemented in accordance herewith and therewith.

ARTICLE 2 TRANSACTION TERMS

Section 2.1 Payment Obligations and Monthly Settlement

(1) The Indemnifier shall indemnify and hold harmless the Bank against, and shall pay to the Bank, an amount equal to the aggregate amount of all Losses in respect of all Loss Dispositions of Subject Government Securities.

(2) The Bank shall deliver to the Indemnifier following each Settlement Period in which a Loss Disposition occurs a Settlement Statement setting out each Loss Disposition during the Settlement Period, as well as, in respect of each such Loss Disposition and the related Subject Government Security, the Cost of such Subject Government Security at the time of such Loss Disposition, the Net Proceeds to the Bank in relation to such Subject Government Security and such Loss Disposition and the Loss. Any and all such calculations and determinations made by the Bank in the Settlement Statement shall be conclusive and binding upon the Indemnifier, absent manifest error.

(3) The Indemnifier shall pay to the Bank, in accordance with Section 2.2, on the second Business Day following delivery by the Bank of a Settlement Statement in respect of a Settlement Period, the Settlement Amount for such Settlement Period, as set out in the Settlement Statement.

(4) Any Loss Disposition in a Settlement Period which is not set out in a Settlement Statement delivered in relation to such Settlement Period may be set out in any subsequent Settlement Statement and in that case the Loss shall not change, will be set out separately on the subsequent Settlement Statement and will be recoverable by the Bank as if it had occurred in the subsequent Settlement Period to which such subsequent Settlement Statement relates.

(5) Each Loss, and any aggregate amount of Losses for any Settlement Period, shall be calculated without regard to, and shall not be reduced by, any gain realized by the Bank on any Disposition of a Subject Government Security, or by any interest or other amount received by the Bank in respect of any Subject Government Security, in each case whether within or outside the relevant Settlement Period, and whether or not in relation to a Subject Government Security of the same issue or series.

(6) The obligations of the Indemnifier hereunder are unconditional and irrevocable.

Section 2.2 Payments.

All payments of Settlement Amounts to be made to the Bank by the Indemnifier hereunder in respect of any Settlement Period shall be made in immediately available funds and in Canadian Dollars, to such account or accounts as the Bank may from time to time by notice designate and shall be made so as to be received by the Bank prior to 4:00 PM (Toronto time) on the date due.

Section 2.3 Good Faith Efforts to Limit Cost

In conducting any purchases of Government Securities under the Program, whether by way of reverse auction or otherwise, the Bank shall make good faith, commercially reasonable efforts to ensure that its bids are made at such prices as shall limit the aggregate Cost of the Subject Government Securities so purchased, provided that, for greater certainty, the foregoing shall not require the Bank to seek or transact at the lowest available price.

Section 2.4 Subrogation.

No rights of subrogation or other similar rights arise in favour of the Indemnifier upon any payment hereunder.

Section 2.5 No Set-off

To the fullest extent permitted by law, the Indemnifier shall make all payments under this Agreement without regard to any defence, counter-claim or right of set-off available to it.

Section 2.6 Termination.

The obligations of the Parties hereunder shall terminate on the Termination Date.

ARTICLE 3 MISCELLANEOUS

Section 3.1 Non-Assignability

The rights and obligations of the Parties under this Agreement shall not be assigned by either Party without the prior written consent of the other Party. Subject to the foregoing, this Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective successors and permitted assigns.

Section 3.2 Confidentiality

It is understood that any information disclosed pursuant to this Agreement is to be kept confidential by the Parties, subject to applicable laws, regulations, financial reporting standards and approvals. Any Party who receives a request for information in respect of this Agreement pursuant to the *Access to Information Act* (Canada) shall consult with the other Party on any contemplated disclosure prior to making any disclosure.

Section 3.3 Notices.

All demands, deliveries, notices or other communications to be made or given under this Agreement shall be in writing or electronic form (including facsimile and e-mail) and delivered or transmitted to the respective addresses set forth in Schedule A. Either Party may by notice in writing to the other Party change their address in Schedule A. A demand, delivery or notice shall be deemed to have been given, or a communication deemed to have been received, on the day of actual delivery (or if such day is not a Business Day, on the next Business Day) and, in the case of an electronic transmission, on the day of transmission, or on the next following Business Day if the day of transmission is not a Business Day or if transmitted after the 5:00 pm local time in Ottawa, Ontario on the day of transmission.

Section 3.4 Amendments.

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by both Parties.

Section 3.5 Waiver.

No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provision (whether or not similar) and no waiver with respect to a particular event of default or other event shall constitute a waiver of any other event of default or other event and no exercise of a remedy shall constitute a waiver of a right to exercise any other remedy. No waiver of any provision of this Agreement shall be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement shall not operate as a waiver of that right. A single or partial exercise of any right shall not preclude a Party from any other or further exercise of that right or the exercise of any other right it may have.

Section 3.6 Entire Agreement.

This Agreement shall constitute the entire agreement between the Parties related to the subject matter hereof and shall supersede any existing agreements or directions between the Parties with respect to the subject matter thereof.

Section 3.7 Severability.

If any court of competent jurisdiction from which no appeal exists or is taken, determines any provision to be illegal, invalid or unenforceable, that provision shall be severed from this Agreement and the remaining provisions shall remain in full force and effect.

Section 3.8 Governing Law and Jurisdiction.

This Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Parties hereby submit to the non-exclusive jurisdiction of the courts of the Province of Ontario in any action or proceeding arising out of or relating to this Agreement.

Section 3.9 Counterparts.

This Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by facsimile, email or other electronic means is as effective as a manually executed counterpart of this Agreement.

[Remainder of page intentionally left blank. Signature page(s) follow.]


The Parties have executed this Agreement as of the date first written above.

BANK OF CANADA

By:   Digitally signed by Jeremy Farr
Date: 2020.06.10 17:04:05 -04'00'

Authorized signing Officer

**HER MAJESTY IN RIGHT OF CANADA
AS REPRESENTED BY THE MINISTER
OF FINANCE**

By: 

Authorized signing Officer

SCHEDULE A
ADDRESS FOR NOTICES

All notices and communications pursuant to this Agreement are to be delivered or transmitted to:

Bank of Canada:

Financial Markets Department
Bank of Canada
234 Wellington Street
Ottawa, Ontario K1A 0G9

Attention: Managing Director, Financial Markets Department

Fax: (613) 782-8689

Email: fmotass@bankofcanada.ca

Government of Canada:

Department of Finance, Canada
13th Floor
90 Elgin St.
Ottawa, Ontario K1A 0G5

Attention: Director, Reserves Management, Funds Management Division

Telephone No: (613) 369-4027

Fax: (613) 369-3922

E-mail: fin.rrm_grr.fin@canada.ca

and

Department of Finance, Canada
10th Floor
90 Elgin St.
Ottawa, Ontario K1A 0G5

Attention: Manager, Public Debt Reporting, Financial Management Directorate

Telephone No: (613) 369-3478

Fax: (613) 369-3482

E-mail: fin.publicdebtunitgroupeedettepublique.fin@canada.ca

with a copy to:

Department of Finance, Canada
Finance Legal Services
17th Floor
90 Elgin St.
Ottawa, Ontario K1A 0G5

Attention:

Jeff Miller
Counsel

Mobile:

Email: jeff.miller@canada.ca

and

Martin Marcone
General Counsel

Mobile:

Email: martin.marcone@canada.ca

SCHEDULE B

FORM OF SETTLEMENT STATEMENT

TO: Department of Finance, Canada

RE: Amended and Restated Indemnity Agreement (Government of Canada Secondary Market Support Program) dated as of May 26, 2020, between the Bank of Canada and Her Majesty the Queen in Right of Canada, as represented by the Minister of Finance (the "**Agreement**")

This Settlement Statement is delivered to you pursuant to Section 2.1(2) of the Agreement. Capitalized terms used herein and not otherwise defined have the meanings given to them in the Agreement.

Settlement Period: _____ to _____, 20__

Aggregate Losses in relation to Loss Dispositions
of Subject Government Securities in Settlement Period,
as more particularly set out in Annex 1 hereto \$ _____

Please pay the above amount in immediately available funds to the Bank of Canada in accordance with Section 2.2 of the Agreement by wire transfer in accordance with the following instructions:

Beneficiary:	Bank of Canada
Financial institution:	_____
Bank number:	_____
Transit number:	_____
Account number:	_____
Account name:	_____
SWIFT code:	_____

Dated: _____, 20__

BANK OF CANADA

per: _____

Name
Title:

Annex 1

Loss Dispositions of Subject Government Securities in Settlement Period

Subject Government Securities sold in Settlement Period									
ISIN/ CUSIP	Face Amount	Coupon	Term	Disposition date	A: Cost	B: Gross Proceeds	C: Commissions, Discounts, Other costs	D:Net Proceeds = (B-C)	Losses = (A-D)
	\$	___% [^]		___, 20__	\$	\$	\$	\$	\$
	\$	___% [^]		___, 20__	\$	\$	\$	\$	\$
	\$	___% [^]		___, 20__	\$	\$	\$	\$	\$
	\$	___% [^]		___, 20__	\$	\$	\$	\$	\$
	\$	___% [^]		___, 20__	\$	\$	\$	\$	\$
Aggregate Losses in Settlement Period									\$



BANK OF CANADA
BANQUE DU CANADA

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario
K1A 0G5

Dear Minister:

As you are aware the Bank has recently established facilities for the acquisition of financial assets, known as the Government of Canada Secondary Market Support Program, the Corporate Bond Purchase Program, and the Provincial Bond Purchase Program (the Facilities).

The Bank and the Minister of Finance have entered into an Indemnity Agreement with respect to each Facility pursuant to which the Government is required to indemnify and pay to the Bank amounts equal to the aggregate of all Losses (as therein defined) incurred on the disposition of the financial assets held by the Bank during the applicable term (the Term) of such agreements, being:

- Government of Canada Secondary Market Support Program Indemnity Agreement – term of April 1st, 2020 to April 1, 2050
- Corporate Bond Purchase Program Indemnity Agreement – term of May 26th, 2020 to April 15, 2028
- Provincial Bond Purchase Program Indemnity Agreement – term of May 7th, 2020 to April 15, 2033.

While the Indemnity Agreements do not address the treatment to be given to realized gains (Gains¹) arising from the disposition of financial assets held pursuant to the Facilities, the parties recognize and agree that any and all Gains that the Bank may realize in relation to a Subject Government Bond, Subject Provincial Bond, or Subject Corporate Bond (as therein defined) acquired pursuant to the Facilities will be fully remitted to the Government in accordance with the Settlement Periods arising during the respective Term of the relevant Indemnity Agreement (and thereby within the same timeframe as Losses).

All terms used herein but not defined herein shall have the meanings ascribed to such term in the applicable Indemnity Agreement. This letter upon acceptance shall represent and be considered an instrument supplemental to such Indemnity Agreement.

Yours sincerely,

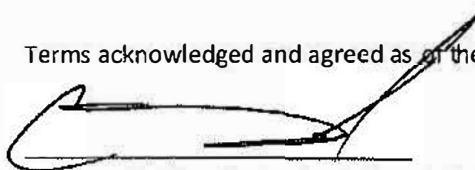
Bank of Canada

By: 

Digitally signed by Steve Thomas
Date: 2020.08.19 15:18:17 -0400

Authorized Signing Officer

Terms acknowledged and agreed as of the 19th day of August, 2020.


Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance

1. Gains: means in respect of related Facilities, the amount, if any, by which the Net Proceeds to the Bank in relation to such Subject Government Bond, Subject Corporate Bond or Subject Provincial Bond of the Facilities at the time of Disposition exceeds the Cost of the Subject Government Bond, Subject Corporate Bond or Subject Provincial Bond of the Facilities of the related Facilities.