Spring 2026 Debt Management Strategy Consultations Summary

Regular conversations with market participants are an essential component of the government's ongoing commitment to a well-functioning Government of Canada (GoC) securities market and an integral part of the debt management process. In May 2026, the Department of Finance Canada and the Bank of Canada held meetings with dealers, investors and other market participants to seek their views on the design and operation of the Government of Canada's domestic debt program and relevant market developments.

The Department of Finance Canada and the Bank of Canada value the comments provided by market participants. The views expressed below reflect those provided by market participants and will be taken into consideration in the formulation of the preliminary 2027–28 Debt Management Strategy (expected to be published in the fall in Budget 2026).

Conditions in the Government of Canada securities market

Market participants describe the GoC securities market as liquid, resilient and well-functioning, with strong capacity to absorb elevated issuance. Canada's market is increasingly integrated into global trading strategies, increasing both market depth and exposure to external dynamics. Liquidity has improved over recent years, supported by larger issuance, increased participation from international investors, including hedge funds, as well as the continued development of derivatives markets that support funding. Secondary markets are viewed as deep, allowing for efficient execution of large transactions.

While the market performs well in normal environments, participants emphasize that leverage, concentrated positioning, and funding dependence could amplify price moves if conditions deteriorate.

Treasury bills

Demand for treasury bills remains strong across a wide range of investors, including domestic institutions and international accounts. Treasury bills continue to be viewed as a flexible and effective instrument for managing short-term funding needs. Participants generally consider the current stock of treasury bills to be appropriate, noting that the market could absorb moderate adjustments. Maintaining stability in issuance amounts from one auction to the next is seen as important for market functioning. The current split between the 3-month, 6-month and 12-month tenors is seen as broadly appropriate.

Bonds

There is broad consensus that the current four bond tenor structure (2-, 5-, 10- and 30-year bonds) remains appropriate. Most participants emphasize a preference for increasing benchmark sizes to support liquidity rather than introducing new tenors. Demand conditions are perceived to vary across the curve. The 2-year and 5-year sectors are seen as having room to grow, supported by strong auction performance and investor demand. The 10-year sector remains the core liquidity anchor, while the 30-year sector is now viewed as balanced, with ongoing demand from pension and liability-driven investors.

Repo and funding markets

Repo markets are generally viewed as functioning well, though participants highlight increasing pressure linked to the cost and efficiency of liquidity and funding. Funding conditions tend to tighten around month end and quarter end, reflecting regulatory and balance sheet considerations affecting market makers. Participants note growing demand from leveraged investors and concentration of funding capacity among a limited set of institutions. Central bank facilities are viewed as important in maintaining stability under these conditions.

The launch of the Canadian Collateral Management Service (CCMS, or tri-party for repos) and the modernization of central clearing services offered by the Canadian Derivatives Clearing Corporation (CDCC), called Repo 2.0 are viewed as a positive development that could broaden access to repo markets, enhance collateral mobility and efficiency as well as balance sheet efficiency, and thus enhance market resilience over time. The BoC’s planned usage of the CCMS by early 2027 is seen as positive to support efficiency of liquidity and funding. Similarly, the announcement that the Bank will also central clear its repos in the CDCC upon the modernization of their services has created momentum to broaden central clearing adoption, thereby creating balance sheet efficiency.

Market participants consider the modestly elevated CORRA settings relative to the BoC’s target policy rate recently to be a natural result of month-end and quarter-end volatility, clients funding larger positions, as well as some payment flow inefficiencies. They do not view this as an indication of a serious or persistent structural issue.

Other markets

Activity in the futures markets, particularly in the 2- and 5-year sectors, has continued to expand significantly and contributes to improved liquidity and price discovery in the cash market. Derivatives markets attract new participants and support overall market well-functioning.

Some participants advocate for the reintroduction of real return bonds (RRBs), highlighting reliance on foreign substitutes, while others question the depth of demand. There is a general consensus that any RRB relaunch would require a sustained and credible commitment to building a liquid curve.

Green bond demand remains healthy but is increasingly price-sensitive, with investors less inclined than in the past to pay a deep "greenium" at issuance. This is especially the case for investors with no dedicated green investment mandate. Overall, the consensus is that green and environmental, social, and governance (ESG) issuances are useful and should continue.

Miscellaneous

Participation in auctions is concentrated among dealers and hedge fund accounts, with limited direct involvement from real money investors. Timing of auctions relative to end of day benchmark pricing and resulting intraday risk considerations continue to constrain broader participation. The consensus view is that current multi-price auctions function well and support strong pricing outcomes. Participants note that a growing share of pricing and positioning occurs ahead of auctions, contributing to the dynamic of bonds richening ahead of auctions.

Participants broadly view the non-competitive bids at auctions as a useful tool for improving auction accessibility and reducing participation risk. However, several participants emphasize that current limits are too small despite their increase in September 2025 and may not be well known by investors. They advocate for increasing the current non-competitive bid size, although a few participants raise concerns about potential concentration effects if limits were increased too aggressively, suggesting that any expansion should remain moderate and carefully calibrated.

Net position reporting requirements at auctions are seen by some as a useful tool to reduce the risks of market concentration. However, many argue that the current provisions are too strict and constrain investors' ability to participate in auctions, particularly for investment funds with multiple trading pods or global operations.