

**Standard Terms for Auctions to Primary Dealers Under the  
Bank of Canada Securities-Lending Program  
(Effective 19 July 2010)**

1. All tenders submitted by primary dealers for auctions under the Bank of Canada Securities-Lending Program shall be subject to these *Standard Terms for Auctions to Primary Dealers Under the Bank of Canada Securities-Lending Program* (the “Terms”).
2. Only those primary dealers who have signed the Bank’s original Securities Loan Agreement, as well as the amendment to the Securities Loan Agreement and have provided any additional legal documentation or comfort required by the Bank of Canada may participate in the program.
3. Securities will be made available when the Bank believes that they are trading at the minimum bid rate or higher (in terms of spread below the target rate), or are unavailable. The term to maturity of each securities lending operation is one business day and the Bank will make its Government of Canada securities available through a tender process.
4. Each tender shall be unconditional and shall be received by the Bank of Canada, not later than the time, and on the auction day, specified in the *Call for Tenders*.
5. Primary dealers may bid on their own behalf subject to auction limits. If two or more primary dealers are affiliated parties as defined in the [Terms of Participation in Auctions for Government Securities Distributors](#), only one of them will be able to participate in the program, unless they are considered separate bidders for purposes of the Terms.
6. The maximum amount of a security that any primary dealer may bid is the greater of \$100 million and 50 per cent of the amount being auctioned. Participants are not eligible to bid for a security if they hold more than 25 per cent of the issue.
7. Primary dealers must submit tenders via the Communication, Auction and Reporting System (CARS). Tenders may consist of up to four bids per issue on (each of) the securities being made available. These bids must be stated in multiples of \$1,000,000. Each bid shall state the yield in number of basis points with no decimal places (in terms of spread below the target rate). Primary dealers shall not bid directly or indirectly on behalf of, or in concert with, any other primary dealer and each dealer shall so certify to the Bank on an annual basis.
8. The Bank will make up to 50 per cent of its securities available to the market on a given day, provided that the securities meet the entry criteria set out above. Auctions of securities with less than two weeks to maturity may be conducted at the discretion of the Bank of Canada. The Bank will not conduct an auction for an amount of securities less than \$100 million. The Bank will not make available more securities than it holds at the time of the auction. The amount of each Government of Canada issue held by the Bank is provided on the [Bank’s website](#).
9. The minimum bid rate shall be indicated in the *Call for Tenders*. If considered necessary by the Bank, the minimum bid rate may be rounded to the next lowest 1/4 percentage point.

The minimum bid rate is calculated as follows:

(a) for marketable bonds shall be the lower of 150 basis points, or 50 per cent of the Bank's target for the overnight rate when the target rate is below three per cent;

(b) for treasury bills shall be the lower of 100 basis points, or 50 per cent of the Bank's target for the overnight rate when the target rate is below two per cent.

If the target overnight rate is at or below 50 basis points then the minimum bid rate for marketable bonds and for treasury bills will be set at 25 basis points.

The minimum bid rate may be adjusted in what the Bank considers to be extraordinary circumstances. Any such change will be indicated in the *Call for Tenders*.

10. Tenders shall be submitted to the Bank of Canada via the CARS. The Bank shall not bear any liability whatsoever for any errors in tenders received or for delays in the transmission of tenders.

11. The Bank of Canada 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 amount specified in the *Call for Tenders*. The Bank also reserves the right to deny access to the tender process at its own discretion.

12. The deadline for receiving auction bids is 11:15 a.m. (Ottawa time). The *Call for Tenders* will be released 15 minutes before the auction deadline. The auction results will be made available on the CARS on the day of the auction. However, on days when a treasury bill auction or cash-management bond repurchase operation is already scheduled, and market conditions warrant a securities-lending operation, the bidding deadline for the securities-lending auction will be moved to 12:00 noon (Ottawa time).

13. Participants must report to the Bank of Canada by 5:30 p.m. (Ottawa time), in the form of the Net Position Report in Schedule A, their closing aggregate net position (as of 5 p.m.) in the auctioned security. The net position must be reported via the CARS and the more detailed report must be faxed to the Bank of Canada (613-782-7182), by 5:30 p.m. (Ottawa time) on the day of the auction. Should a net position report not be received from a borrowing participant by the deadline, the participant will not be given access to the next auction. The net position report to be submitted is similar to the IIROC net position report and includes:

- Trading Positions (i) the par amount of cash holdings of a security with the same International Securities Identification Number (ISIN), (ii) the par amount of when-issued positions, (iii) forward contracts, (iv) holdings of the residual component of a stripped bond of the security being auctioned, (v) the par amount of any position in the security not covered by the above types of contracts, including positions not covered in the net financing position.
- Financing Positions (i) overnight and open reverse repos, (ii) term reverse repos, (iii) securities borrowed, (iv) collateral received for financial derivatives and other securities transactions, (v) overnight and open repos, (vi) term repos, (vii) securities

loaned, (viii) pledged collateral for financial derivatives and other securities transactions.

- Others (i) futures contract, (ii) options contract, (iii) failure to receive, (iv) failure to deliver.

14. The Bank of Canada will charge a lending fee on each transaction, which will be calculated by applying the rate of winning bids to the market value of the security borrowed on an actual over 365 basis. The lending fee will be made available on CARS on the day of the auction and lending fees shall be payable via LVTS on or before the maturity date of the transaction by 4:00 pm (Ottawa time).

The following are the instructions for payment of lending fees. The Bank's SWIFT address is BCANCAW2. The payment instruction should be a SWIFT type MT205 or MT103, including the following information:

<i>Field 20:</i>	<i>Transaction Reference Number</i>
<i>Field 21 or 72:</i>	<i>Securities Lending Fees</i>
<i>Field 32A:</i>	<i>Value Date, Currency and Amount</i>
<i>Field 52A or D:</i>	<i>Ordering Institution (BIC)</i>
<i>Field 58A or D:</i>	<i>Beneficiary Institution (BIC)</i>
	<i>177-5</i>
	<i>Bank of Canada</i>
	<i>BCANCAW2</i>
	<i>Bank of Canada</i>
	<i>Ottawa CA</i>

15. Collateral for the securities loan must be delivered to the Bank of Canada by 4 p.m. (Ottawa time) on the day of the auction. Collateral to be delivered shall be confirmed with and priced by the Bank of Canada after the auction and prior to delivery. A confirmation of the transaction will be provided by the Bank. The eligible securities for collateral for the securities-lending operation are the same as those eligible for the Bank of Canada's Standing Liquidity Facility with the exception of the following:

- 1) Non-Canadian dollar assets;
- 2) Special Deposit Accounts;
- 3) Non-Mortgage Loan Portfolios.

All other terms and conditions from the [Assets Eligible as Collateral under the Bank of Canada's Standing Liquidity Facility](#) apply to the collateral for the securities-lending program.

All collateral delivered must be submitted free and clear of all liens, charges, claims, encumbrances, hypothecs, security interests or other restrictions of any kind and a primary dealer, in delivering securities as collateral, is deemed to warrant and represent that all securities delivered by it are free and clear.

16. The margin requirements for the Bank's securities-lending program are the same as those for the [Bank of Canada's Standing Liquidity Facility](#). The margin requirement is the greater

of the margin rate corresponding to the security being lent and the margin rate of the security being provided as collateral.

17. The delivery of the collateral securities shall be effected through the pledge function of CDSX (or in any successor service to CDSX), involving the book entry transfer from the CDSX securities account designated by the primary dealer to the Bank of Canada's CDSX securities account. Primary dealers shall observe all applicable CDS Rules, Procedures and User Guides for CDSX or any successor service to CDSX.

18. In delivering the lent securities, the Bank of Canada will, until further notice, utilize CDSX or any successor service to CDSX. The delivery of securities shall be effected through the pledge function of CDSX.

19. On the maturity date, the lent securities must be delivered to the Bank of Canada by 4 p.m. (Ottawa time) through the pledge function of CDSX.

20. In the event of a failure to return the lent securities on the maturity date, the Bank may, at its option, extend the transaction for an additional business day(s) at a lending fee equal to the higher of the Bank's target for the overnight rate or three per cent.

21. Consistent with the Terms of Participation in Auctions for Government Securities Distributors, all eligible participants shall comply with IIROC Rule 2800 (previously IDA Policy No. 5), The Code of Conduct.

22. The Bank may, in addition to and without prejudice to any rights it may have under the securities loan agreement, sanction a primary dealer if the Bank is of the view that the dealer breached any of the Terms, including, without limitation: making an incorrect representation or certification; failing to provide any information required under the Terms or providing such information that is incorrect, inaccurate or incomplete; failing to return lent securities on the maturity date, or failing to pay the securities lending fee. The sanctions which the Bank may impose include, without limitation: suspending the primary dealer from participating in one or more future auctions and changing, on a temporary basis, the bidding limit applicable to the dealer. In the event of behaviour in relation to the securities-lending program or the auction which the Bank considers to be fundamentally incompatible with the primary dealer continuing to act as a government securities distributor, the dealer's status as a government securities distributor may be revoked. Any outstanding obligations or liabilities owed as a primary dealer to the Bank of Canada as a result of past participation in the program and in auctions shall survive the imposition of any sanction on the dealer.

**Schedule A**  
**Bank of Canada Net position Report**

Reporting Date: \_\_\_\_\_  
 Name of Dealer: \_\_\_\_\_  
 Security (ISIN): \_\_\_\_\_  
 Maturity Date: \_\_\_\_\_

	<b>Net Positions</b> (par value, \$ millions to one decimal point)	
	<b>Trade Date</b>	<b>Settlement Date</b>
<b>Trading Positions</b>		
a. Cash holdings	\$	\$
b. When-issued positions	\$	
c. Holdings of the residual component of stripped security	\$	\$
d. Forward contracts	\$	
e. Any position in the security not covered by the above types of contracts	\$	\$
<b>f. Net trading position</b>	\$	\$
<b>Financing Positions</b>		
<b>Reverse Repos</b>		
g. Overnight and open	\$	\$
h. Term reverse repos	\$	\$
i. Securities borrowed	\$	\$
j. Collateral received for financial derivatives and other securities transactions	\$	\$
<b>k. Total securities received (g+h+i+j)</b>	\$	\$
<b>Repos</b>		
l. Overnight and open	\$	\$
m. Term repos	\$	\$
n. Securities loaned	\$	\$
o. Pledged collateral for financial derivatives and other securities transactions	\$	\$
<b>p. Total securities delivered (l+m+n+o)</b>	\$	\$
<b>q. Net Financing Position (k-p)</b>	\$	\$
<b>r. Overall Position (f+q)</b>	\$	\$
<b>Other</b>		
s. Failure to receive		\$
t. Failure to deliver		\$
u. Futures contracts	\$	
v. Options contracts	\$	