

# Department of Finance Canada

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## Archived - Backgrounder Canadian Lenders Assurance Facility

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- The Canadian Lenders Assurance Facility will provide insurance on the wholesale term borrowing of federally-regulated deposit-taking institutions. It is a temporary program that will ensure that financial institutions in this country are not put at a competitive disadvantage when raising funds in wholesale markets given similar actions recently announced by other countries.
- The facility is a component of Canada's implementation of the G7 Plan of Action to stabilize financial markets, restore the flow of credit and support global economic growth. It builds on the program announced on October 10 to maintain the availability of longer-term credit in Canada by purchasing insured mortgage pools from Canadian lenders through the Canada Mortgage and Housing Corporation (CMHC).
- The facility will be available, on a voluntary basis, to all federally-regulated deposit-taking financial institutions<sup>1</sup>. The program will commence in early November. Insurance extended under the facility will be issued until April 30, 2009.
- Insurance will be available for new issues of certain senior unsecured marketable wholesale debt instruments with a term to maturity of at least 3 months, denominated in Canadian dollars, US dollars, Euros, Sterling and Yen. The insurance will apply to the principal and interest payments for up to 3 years from the issue date of the instrument.
- The maximum amount of insurance available to an eligible financial institution will be the greater of 125% of the contractual maturities of wholesale debt instruments for that institution during the six-month period beginning November 1, 2008, or 20% of deposits as of October 1, 2008.
- The facility is not meant to replace other wholesale funding options for Canadian financial institutions, including the insured mortgage purchase program operated by CMHC. Rather, it is being made available as a backstop in case conditions in global credit markets disrupt Canadian lenders' access to the funds they need to keep lending. It will be up to the lenders themselves to decide if they want to pay the premium to insure their debt.
- Insurance provided through the facility will be priced on a commercial basis. The base annualized fee will be 135 basis points<sup>2</sup>. There will be a surcharge of 25 basis points for eligible institutions rated at or above A- or equivalent. There will be a further surcharge of 25 basis points for other eligible financial institutions. There will also be a further surcharge for insurance on non-Canadian dollar denominated debt.
- Application forms and a term sheet will be made available after consultation with eligible financial institutions.

[1] That is: deposit-taking financial institutions incorporated or formed under the Bank Act, Trust and Loan Companies Act, as well as associations and central cooperative credit societies regulated under the Cooperative Credit Associations Act. This therefore includes all Canadian banks, including foreign bank subsidiaries (but not foreign bank branches), trust and loan companies that accept deposits, the Credit Union Central Canada, Central 1 Credit Union (which serves BC and Ontario credit unions), and the credit union centrals of Alberta, Saskatchewan, Manitoba, and Nova Scotia (which also serves Newfoundland and Labrador). [[Return](#)]

[2] This is the average over the twelve months ending August 2008 of the spread between the yield on Canadian dollar five-year senior unsecured bonds issued by the five largest Canadian banks and the comparable Government of Canada bond. [[Return](#)]

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