



# Bank of Canada Announces Details of its Term PRA for Private Sector Instruments Operation

Notice - Friday, March 13, 2009, 15:00 (ET)

In accordance with the schedule of term purchase and resale agreement (PRA) auctions for private sector instruments announced on 6 March, the Bank of Canada announced today that it will conduct a 27-day term PRA operation for private sector instruments as follows:

Amount	Auction Date	Settlement Date	Maturity Date
\$1 billion	17 March 2009	20 March 2009	16 April 2009

The minimum bid rate for the auction will be announced on the Bank's web site at 9:00 (ET) on the day of the auction.

Primary Dealers (PDs) are asked to submit the bids of their indirect bidders between 9:15 and 9:30 (ET) on 17 March to the Bank of Canada. The results of this operation will be announced on the Bank's web site at 10:30 (ET). PDs must notify the Bank of Canada of the securities that will be used in the operation, by their indirect bidders, by 12:00 (ET) on the day of the auction.

The total amount of assets acquired through this term PRA operation will be announced on the Bank's web site on the settlement day by 16:45 (ET). This operation will also be reflected on the Bank of Canada's balance sheet.

## Update on Terms and Conditions

Further to its **6 March 2009 announcement** regarding the details for the new Term Purchase and Resale Agreement (PRA) Facility for Private Sector Instruments, the Bank of Canada released today the margin requirements for corporate securities rated "BBB" <sup>1</sup> and changes to the provisions for substitution of underlying assets. These margin requirements and substitution provisions will apply to both the Term PRA for Private Sector Instruments and the Regular Term PRA.

## Margin Requirements

The following margin requirements will be applied to BBB securities:

Maturity				
up to 1 year <sup>2</sup>	>1-3 years	>3-5 years	>5-10 years	>10 years
13.0%	13.5%	18.0%	18.5%	25.0%

## Substitution

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Substitution of the underlying assets for the Bank's term operations will be allowed on a bi-weekly basis, on specific dates, for both the regular term PRA and for the new term PRA for private sector instruments. Substitution **dates until the end of June have been announced separately**. On the substitution date, the participants will have the right to substitute the securities underlying any transaction subject to notice by noon two business days prior to the substitution date and in accordance with the Bank's Purchase and Resale Agreement. These new substitution dates supersede any prior substitution dates announced for any prior regular 3-month term PRA operation.

In the event that the rating for a specific security used in any Purchase and Resale transaction falls below the minimum required rating level, a substitution will be required the same business day.

The **Terms and Conditions for the new Term PRA for Private Sector Instruments** and the **Terms and Conditions for the regular Term PRA** have been amended to reflect the above changes.

The Bank will continue to provide additional term liquidity as long as conditions in financial markets warrant.

Market participants requesting further information are asked to contact [pspra@bank-banque-canada.ca](mailto:pspra@bank-banque-canada.ca).

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Content Type(s): **Press, Market notices**

### Footnotes

1. The bonds have to have a minimum of at least two long-term issuer ratings that are: BBB or higher by DBRS, BBB or higher by S& P or Baa2 or higher by Moody's.[←]
2. For securities with up to one year to maturity, the margins are adjusted by term divided by 365.[←]