

Contingent Term Repo Facility: Terms and Conditions

April 3, 2020

Eligible participants

- Financial market participants that can demonstrate significant activity in the Canadian dollar money markets and/or fixed income markets.
 - Participants must also be subject to federal or provincial financial sector/market regulations.
 - Participation and eligibility will ultimately be at the discretion of the Bank of Canada.
 - Financial market participants will be asked to complete the **application form**, and if accepted, sign the Bank's legal agreement prior to participating.
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Operation details

- Eligible participants must inform the Bank that they want to access the facility by 12:00 pm (noon) EST on a business day when the facility is active.
 - NHA MBS versus other eligible securities as described below will be processed in two separate transactions.
 - The repo transaction will settle T+2 and the eligible securities must be delivered against funds through CDSX by 3:00 pm on the settlement date.
 - These CTRF transactions will be reported at an aggregate level on the Bank of Canada's **weekly** and **month-end** balance sheet, and in its published **Financial Statements**.
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Term

- CTRF transactions will be for a term of 1 month. Transactions may be conducted for shorter terms at the participant's discretion. The Bank will announce the availability of any longer-term transaction via a market notice.
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Repo Rate

- Eligible participants will need to inquire with the Bank about the repo rate for the day they want to use the CTRF. The rate will be the overnight index swap (OIS) rate of the maturity of the operation plus the higher of (1) 35 bps, (2) the highest spread over the OIS rate on the most recent term repo with the closest tenor, or (3) as otherwise determined by the Bank at the time of the transaction.
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Eligible securities

The list of eligible securities comprises the following:

- Securities issued by the Government of Canada.
 - Government of Canada stripped coupons and residuals.
 - Securities guaranteed by the Government of Canada (including Canada Mortgage Bonds and NHA mortgage-backed securities with a minimum pool size of \$25 million).
 - For NHA MBS transactions, only NHA MBS pool types with prefix 975, both syndicated and non-syndicated, are eligible. These securities must not mature within 6-months of the maturity date of the transaction and the security must also meet the eligibility requirements for the **Standing Liquidity Facility**.
 - Government of Canada guaranteed stripped coupons and residuals.
 - Securities issued or guaranteed by a provincial government that meet the criterion of sufficiently high quality as determined by the Bank.
 - Stripped coupons and residuals of securities issued or guaranteed by a provincial government that meet the criterion of sufficiently high quality as determined by the Bank.
 - Any concentration limits, changes or exceptions to the above eligible securities will be at the discretion of the Bank of Canada.
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Margins

- Eligible securities are subject to the same margin requirements as those applicable in the Standing Liquidity Facility (See **Margin Requirements**).
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Margin calls

- Transactions, on a combined NHA MBS and other eligible securities basis, will be subject to margin calls if the value of the posted eligible securities falls below a threshold acceptable to the Bank of Canada. All eligible securities may be provided for margin calls.
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Interest calculation

- Interest on the funds will be calculated on an actual/365-day basis.
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Cash flow payments

- For the part of the transaction using securities other than NHA MBS, all coupon payments received by the Bank of Canada on the securities during the term of the transaction will be kept by the Bank of Canada. The final settlement amount will be adjusted, as required, to account for these receipts in accordance with the Bank of Canada's Master Repurchase Agreement.
 - For the part of the transaction using NHA MBS, all cash flows will be returned one business day after they are received. Not adjusting the final settlement amount is in accordance with the Bank of Canada's Master Repurchase Agreement. The Bank of Canada will hold the cash flow for a term of one business day without paying interest and will return it to the eligible counterparty the following business day.
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Counterparty settlement instructions

- Securities shall be delivered to the Bank of Canada by 3:00 p.m. (EST) through CDSX on the settlement day, on a delivery of securities versus payment of funds basis.
 - The Bank of Canada's CDS settlement customer unit identifier (CUID) is BOCB.
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Substitution

- Substitution dates must be pre-arranged with the Bank of Canada and will be at the Bank's discretion. On the substitution date, the participants will have the right to substitute a limited number of securities underlying the transaction, subject to notice by noon two business days prior to the substitution date and in accordance to the Bank's Master Repurchase Agreement. Unless otherwise arranged, participants will have one substitution window per operation.
 - Securities used for substitution must meet the eligibility requirements for the transaction in which they were submitted. As such, only NHA MBS satisfying the eligibility requirements may be substituted for NHA MBS transactions. All other eligible securities, excluding NHA MBS, may be substituted for the part of the transaction using securities other than NHA MBS.
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Legal arrangements

- Eligible participants must have made the appropriate legal arrangements with the Bank of Canada.

- The Bank of Canada reserves the right to change the terms of subsequent CTRF transactions by posting a revised version of these terms and conditions.
- The Bank of Canada may, in addition to and without prejudice to any rights under the Bank of Canada's Master Repurchase Agreement, sanction an eligible counterparty if the Bank of Canada is of the view that the eligible counterparty breached any of the terms, including, failing to return cash or securities on the maturity date. The sanctions that the Bank of Canada may impose include, without limitation, suspending the eligible counterparty from accessing the CTRF and for counterparties eligible for Term Repo operations from participating in one or more future Term Repo operations and changing, on a temporary basis, the bidding limit applicable to the eligible counterparty for those operations.