

Corporate Bond Purchase Program (CBPP) – Term Sheet

Updated October 6, 2020

Program Format

The Corporate Bond Purchase Program (“CBPP” or “the program”) will be structured as a direct purchase program into a separate account held by the Bank of Canada (“BoC” or “the Bank”), managed by TD Asset Management (“TDAM”) and supported by Canadian Imperial Bank of Commerce Mellon as custodian (“CIBC Mellon” or “the Custodian”). This program will support the liquidity and proper functioning of the corporate debt market. The program parameters outlined below may be expanded if conditions warrant.

Duration

The program will begin on May 26, 2020 and operate for 12 months from May 26, 2020 to May 25, 2021.

Program Size

The program will hold up to a total of CAD10BN par value of eligible assets.

Eligible Issuers

Eligible issuers are companies incorporated in Canada, excluding deposit taking institutions.

Eligible Asset

CAD-denominated senior secured or senior unsecured corporate bonds issued by eligible issuers and included in the FTSE Canada 0+ Year Universe Bond Index Series. Issuers that are downgraded after April 15, 2020 and no longer retain at least one rating of BBB Mid/BBB/Baa2 or higher will continue to be eligible for the program provided they retain at least one rating of BBB Low/BBB-/Baa3 or higher. If an issuer fails to maintain at least one rating of BBB Low/BBB-/Baa3 or higher, it will no longer be eligible for purchase into the program. The program will purchase the eligible assets in the secondary market. Eligible assets purchased in the secondary market will have a remaining term to maturity of 5 years or less at the time of purchase. Floating rate notes and sinking fund bonds will be excluded from eligibility.

Ratings

Eligible assets for purchase will have at least one rating of BBB Mid/BBB/Baa2 or higher for the senior unsecured rating or long-term foreign issuer credit rating assigned by any of DBRS Morningstar, Standard & Poor's, Moody's Investors Service, and Fitch Ratings, as of April 15, 2020. Eligible assets that are subsequently downgraded after April 15, 2020 must have at least one rating of BBB Low/BBB-/Baa3 or higher to remain eligible for purchase. In all cases eligibility may be subject to the Bank's discretion.

Issuer Limits

On an issuer basis, the Bank will not hold more than 10% of the par value of eligible assets outstanding on April 15, 2020.

Pricing

The Bank will purchase eligible assets that satisfy the Bank's pricing and portfolio requirements and objectives. The Bank reserves the right to adjust its pricing and portfolio requirements and objectives to meet policy objectives.

Eligible Participants

1. Primary Dealers for Government of Canada marketable bonds as listed on the Bank of Canada [website](#). Eligible dealers should contact CBPPOPSTDAM@TDAM.COM to register.
2. Buy-side participants who are either a "Portfolio Manager" registered with the securities commission of a Canadian province or territory, or a federally or provincially regulated Canadian pension plan. To register, buy-side participants should email the completed [buy-side CBPP registration form](#) to the Bank of Canada at cbppapplication@bankofcanada.ca

Program Operation

Program purchases will be executed through a tender offer process. For each tender, authorized participants will be provided advance notice of eligible assets to be included. Buy-side participants are required to submit their tender offers through authorized dealers. Authorized dealers will communicate offers (both their own and those of authorized buy-side participants) to sell notional amounts of eligible assets at a specified spread to TDAM, as agent for the Bank, at times determined by TDAM.

The program and its operation may be amended at any time. All tenders submitted by authorized participants will be subject to the terms and conditions for the program that will be communicated to participants during registration.

Reporting

The Bank will report its aggregate holdings of corporate bonds acquired through this program every Friday on the Bank's weekly balance sheet. The Bank will also publish its aggregate sectoral holdings every month with a one-month lag.