Framework for Market Operations and Liquidity Provision

Learn about our market operations and liquidity **framework** and its **objectives**, how it **reinforces the target for the overnight rate** and supports **efficient financial markets**, and how we can **provide liquidity** to the financial system in extraordinary circumstances.

Introduction

In the course of executing its monetary policy and financial system responsibilities, the Bank undertakes a range of financial market operations as part of its regular monetary policy operating framework and provides liquidity to the Canadian financial system as required. The Bank also plays the role of lender of last resort, which has been a fundamental role of central banks since at least the nineteenth century. The Bank provides routine liquidity to reinforce the target for the overnight rate and to facilitate settlement in the payments system and has various tools at its disposal to respond to situations where exceptional or emergency liquidity may be required, either on a bilateral basis to specific entities through the provision of Emergency Lending Assistance (ELA) or on a market-wide basis through the use of extraordinary liquidity facilities.

The Bank has in place a clear framework to

- guide its financial market operations;
- support the provision of routine liquidity to facilitate settlement in the payments system; and
- respond to exceptional or emergency liquidity needs, either on a bilateral basis through **ELA** or on a market-wide basis through extraordinary liquidity facilities.

Objectives

Each of the tools in the Bank's framework for financial market operations and liquidity provision is designed to achieve one or more specific objectives:

- **reinforce the target for the overnight rate**
- **support the efficient functioning of Canadian financial markets**
- **provide backstop liquidity under extraordinary circumstances**

These tools are facilitated by — and in turn influence — the size, structure, and management of the Bank's balance sheet.

Reinforcing the Target for the Overnight Rate

Effective March 23, 2020, reflecting the scale of liquidity operations the Bank is undertaking and the associated increases in settlement balances, the Bank is adjusting its operating framework for the implementation of monetary policy until further notice. The operating band is narrowed to 25 basis points compared to the normal 50 basis points, and the deposit rate will be set to the current target for the overnight rate. The Bank also will not be targeting a specific level of settlement balances.

Implementing Monetary Policy

The Bank of Canada conducts monetary policy by setting the target for the overnight interest rate (often referred to as the policy rate). This directly influences the interest rates at which banks and other financial system participants borrow and lend funds for a term of one business day. The level of the overnight interest rate and expectations about its future path also influence other longer-term interest rates, as well as a broader range of asset prices.

The Bank's implementation of monetary policy is closely linked to Canada's main payments system – the **Large Value Transfer System** (LVTS). Almost all payments (measured by value) flow through the LVTS; therefore, this system is the focus of the Bank's framework for the implementation of monetary policy. The Bank's framework to support trading at the target rate includes the **operating band**, or interest rate corridor, which is in turn supported by standing deposit and lending facilities.[1] The midpoint of the operating band is the Bank's target for the overnight rate, and the presence of the standing deposit and lending facilities provides strong incentives for transactions between major participants in the overnight market to take place near the target rate.

The Bank can **adjust the level of the settlement balances** available in the system to address some frictions in the payments system and to further support trading at the target for the overnight rate. However, unexpected payment frictions in the market can sometimes cause the overnight rate to move away from the Bank's target rate during the day. In cases where the Bank judges that the deviation is a result of generalized pressure on liquidity, it can offset this pressure by adding or withdrawing liquidity with **Overnight Repo and Overnight Reverse Repo operations**.

Operating Band Supported by Standing Deposit and Lending Facilities

The Bank's operating band is a 50-basis-point interest rate corridor around the Bank's target for the overnight rate (**Figure 1**). Because LVTS participants must have a zero balance in their settlement account at the Bank of Canada at the end of each day, any positive balances in participants' settlement accounts must be left on deposit with the Bank and are remunerated at the "deposit rate" (the target rate minus 25 basis points), which is the bottom of the operating band.

Conversely, LVTS participants in a deficit position must take an overnight collateralized advance from the Bank through the Standing Liquidity Facility (SLF) at the “Bank Rate” (the target rate plus 25 basis points), which is the top of the operating band. This helps provide incentives for LVTS participants to settle surplus and deficit positions with each other over the course of the day near the Bank’s target for the overnight rate, which is the midpoint of the operating band.

These arrangements encourage transactions for overnight funds in the marketplace at rates within the operating band, since participants are aware that they will earn at least the deposit rate on positive balances and need not pay more than the Bank Rate to cover shortfalls in their settlement account. Given that the opportunity costs of borrowing from and depositing funds with the Bank at the end of each day are generally the same when using the midpoint of the operating band as a reference (i.e., +/-25 basis points), participants have an incentive to trade among each other at the Bank’s target for the overnight rate.

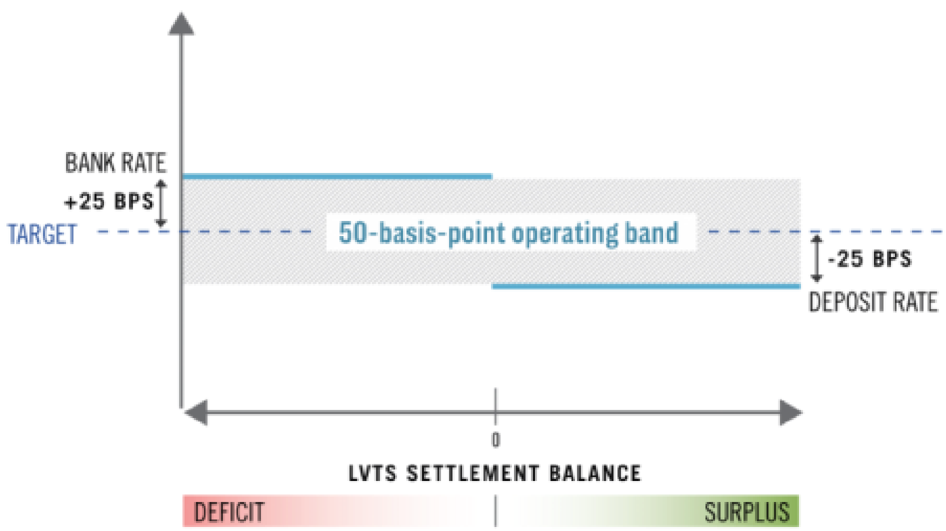

Figure 1: The Bank of Canada's Operating Band

Standing Liquidity Facility (SLF)

Through its SLF, the Bank of Canada provides overnight credit (advances) on a routine basis to **participants in the Large Value Transfer System (LVTS)** that are experiencing temporary liquidity shortages due to unexpected payment frictions. [2] Advances extended by the Bank to LVTS participants under the SLF are made on a secured basis against a wide range of high-quality collateral. In facilitating overnight settlement in the LVTS payments system, the SLF reinforces monetary policy and facilitates the smooth functioning of the financial system.

The SLF helps the Bank reinforce monetary policy, since LVTS participants accessing the SLF pay the Bank Rate (target plus 25 basis points). The higher cost of using the SLF provides an incentive for LVTS participants to cover their net deficit positions by undertaking interbank transactions prior to settlement at rates within the operating band. While only LVTS participants have access to the SLF (and a deposit facility), this incentive supports the Bank’s monetary policy objectives more broadly by influencing the behaviour of a broader group of market participants through their interactions with LVTS participants.

The SLF also helps facilitate the smooth functioning of the financial system by providing overnight liquidity to institutions that are unable to borrow from their LVTS counterparts. In the majority of cases, LVTS participants are able to borrow from each other to settle any end-of-day net negative position in the payments system. However, there may be occasions where a participant finds itself unable to find a lending LVTS counterpart on short notice or for technical reasons, such as reaching constraints on its counterparty credit limit. The SLF ensures that LVTS participants are able to cover temporary shortfalls in funds that can arise from the daily flow of LVTS settlement of payments.

The SLF is not intended for use by an institution experiencing persistent liquidity shortages. In such extraordinary circumstances, the institution should consider requesting **Emergency Lending Assistance (ELA)** from the Bank.

View the Rules Governing Advances to Financial Institutions

View the current collateral policy for the Standing Liquidity Facility

Browse and filter past collateral policies for the Standing Liquidity Facility

Overnight Standing Repo Facility

In 2009, the Bank introduced a new standing facility, the Overnight Standing Repo Facility (formerly the Overnight Standing Purchase and Resale Agreement Facility), to provide another source of funding for **Primary Dealers in Government of Canada securities** who may not have access to the SLF. The facility provides a funding backstop to Primary Dealers on an overnight secured basis at the Bank Rate, reinforcing the top of the operating band.

View the terms and conditions for Overnight Standing Repo Facility

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Adjusting the Level of Settlement Balances

At the end of each day, the Bank sets a target for LVTS settlement balances that is effective for the following day. This helps set trading conditions for the overnight market. As well, changes in the targeted level of settlement balances can act as a powerful signal of the Bank’s resolve to reinforce its target for the overnight rate.

The LVTS is a closed system, which means that the net overall cash position of the entire system should generally be zero. Hence, any LVTS participant with a deficit position knows that there is at least one participant in the system with an offsetting surplus position, and is therefore a potential counterparty for transactions at market rates. However, since the introduction of the LVTS in 1999, the Bank's target level for settlement balances has typically been set above zero, which puts the other participants in the system in a slight surplus cash position. This added liquidity helps reduce transaction costs and other frictions during the end-of-day process and, as a result, lessens the need for participants in deficit positions to take frequent small advances from the Bank.

Changing the level of settlement balances is an effective policy tool to reinforce the Bank's target for the overnight rate, and the Bank retains the right to adjust the targeted level of settlement balances higher or lower, depending on conditions in the overnight market. For example, in the early years of LVTS, the targeted level of settlement balances was often adjusted in anticipation of seasonal or temporary upward pressure on the overnight rate, such as around quarter-ends and the fiscal year-end of commercial banks.

Increasing the level of settlement balances provides a strong incentive for LVTS participants to lend their cash, thus putting downward pressure on the overnight rate, because higher settlement balances will inevitably result in some participants being in a surplus cash position at the end of the day. These surplus funds must be deposited overnight through the Bank's deposit facility at a below-market rate (the target for the overnight interest rate minus 25 basis points).

To achieve the target level of settlement balances, the Bank, as fiscal agent for the Government of Canada, transfers net public sector payments and receipts within the system, including its own and those of its other clients, to and from the government deposit on its balance sheet. The Bank manages these transfers through the afternoon Receiver General Auction. The Bank publishes on its website the target level of settlement balances the day before the target's effective date and the actual amount each day, after completion of the afternoon Receiver General Auction. In the majority of cases, the targeted level of settlement balances is achieved; however, in less-common situations, such as forecast errors where the Bank is unable to make the necessary adjustment to the afternoon Receiver General Auction to offset the error, the actual level can differ from the targeted level.

During times of severe financial system stress, such as the 2008-2009 global financial crisis and the 2020 COVID pandemic, the Bank may adjust its operating framework to reinforce its target rate, accommodate increased market-wide demand for liquidity, and reduce the operational burden on the Bank and LVTS participants. To do so, the Bank may allow settlement balances to reach a higher level than usual (or cease targeting a specific level of settlement balances).

By providing an ample amount of settlement balances during these periods of stress, the overnight rate is less sensitive to the overall level of settlement balances . Because of this, there is less need for intraday liquidity operations or afternoon Receiver General auctions that the Bank typically uses to achieve its target level of settlement balances.

In such circumstances, the Bank may also narrow its operating band for implementing monetary policy, setting the deposit rate equal to the target for the overnight rate, while maintaining the Bank rate at 25 basis points above the target rate. Along with higher settlement balances, this helps motivate trading in the general collateral overnight market at or close to the deposit rate during the day and supports the Bank's ability to achieve its overnight rate target.

Overnight Repo and Overnight Reverse Repo Operations

The Bank conducts Overnight Repo and Overnight Reverse Repo operations to further support the effective implementation of monetary policy by injecting or withdrawing intraday liquidity, thereby reinforcing the Bank's target for the overnight rate.

When the conditions in the Canadian general collateral overnight repo market so warrant, the Bank may intervene and inject intraday liquidity through repurchase agreements (repos), called Overnight Repo operations, or to withdraw intraday liquidity through reverse repurchase agreements (reverse repos) called Overnight Reverse Repo operations. These operations are conducted through a competitive auction to channel funds to the counterparties that need them most.

If transactions in the general collateral overnight market are generally taking place at rates above the Bank's target, the Bank may inject liquidity using Overnight Repo operations by purchasing Government of Canada securities from Primary Dealers, with an agreement to resell those securities to the same counterparty the next business day, with the difference in price equal to the interest for one business day.

Conversely, if transactions in the general collateral overnight market are generally taking place at rates below the Bank's target, the Bank may withdraw liquidity using Overnight Reverse Repo operations by selling some of its holdings of Government of Canada securities (typically treasury bills) to Primary Dealers, with an agreement to repurchase them at a value that includes interest for one business day. Those transactions are conducted at rates equal to or below the Bank's target for the overnight rate, depending on market conditions and bidding behaviour at the auction.

The Bank typically conducts these operations at 11:45 a.m. (ET) but, if necessary, the Bank is prepared to enter into multiple rounds of operations and to conduct those operations outside of the regular time. While these overnight repo operations typically involve the purchase of Government of Canada securities, in times of market-wide stress, the Bank has discretion to expand the list of eligible securities.

Typically, the Bank neutralizes the cash impact on the system from any Overnight Repo or Reverse Repo operations by adjusting the amount of the afternoon Receiver General Auction to enable it to achieve the targeted level of settlement balances at the end of the day. However, depending on the size of the operation, the Bank may not always be able to fully offset this amount. As an additional tool to offset pressure on the overnight rate, the Bank also has at its discretion the option of not fully neutralizing the impact of those operations. If some or all of these operations are not fully neutralized, the system could be left in a larger surplus or deficit position at the end of the day, requiring at least one LVTS participant to leave funds on deposit at the Bank's deposit rate or to take an overnight advance at the Bank Rate.

See the latest terms and conditions for OR/ORR operations

Supporting the Efficient Functioning of Canadian Financial Markets

The Bank's Balance Sheet

The Bank's holdings of financial assets are generally driven by its role in issuing bank notes. The issuance of bank notes creates a liability for the Bank, the largest on its balance sheet. Government of Canada deposits, including those supporting the government's prudential liquidity plan, typically represent the second-largest liability for the Bank. To offset these liabilities, the Bank needs to hold financial assets. These assets are mainly denominated in Canadian dollars, given that the Bank's liabilities are mainly denominated in Canadian dollars and composed mostly of investments in **Government of Canada securities** and **term repos**.

The Bank also undertakes financial market transactions with eligible counterparties in support of monetary policy and the efficient functioning of Canadian financial markets. The Bank's transactions are typically repurchase agreements, where the Bank injects or withdraws liquidity and acquires or sells financial assets.

The Bank's holdings of financial assets help to promote its operational independence and support the execution of its responsibilities. This is accomplished in two ways:

- the financial assets provide a means for the Bank to carry out its responsibilities without being dependent on government appropriations, and
- the Bank avoids investments that might impair the process by which the federal government allocates funds or credit to the private sector or other levels of government.

Policy for Acquiring and Managing Financial Assets

The Bank's **Statement of Policy Governing the Acquisition and Management of Financial Assets for the Bank of Canada's Balance Sheet** ("Statement of Policy") establishes the policy governing the Bank's acquisition and management of domestic financial assets for its balance sheet. As set out in the Statement of Policy, decisions about the acquisition and disposition of financial assets and the management of the Bank's balance sheet are based on the following guidelines:

Neutrality

The Bank limits potential market distortions from its investment activities by acting in as broad and neutral a fashion as possible. The composition of the Bank's balance sheet should be structured such that the impact on the market prices of those assets from routine purchases of specific securities should be minimal.

Prudence

The Bank mitigates financial risks to its balance sheet that could arise from valuation losses or credit losses through a risk-management framework. The framework includes collateralization, with appropriate haircuts, of any lending or advances, and minimum credit-quality requirements for securities eligible for collateral, repurchase transactions or outright purchases.

Transparency

Any purchase or sale of assets by the Bank should be transparent to the public.[3]

While the *Bank of Canada Act* allows for the acquisition of a broad range of eligible assets, the objectives and guidelines outlined above effectively limit the types of financial assets that the Bank should acquire for its portfolio of financial assets in the normal course of business.[4] The Bank primarily acquires Government of Canada nominal bonds and treasury bills for its balance sheet outright through non-competitive bids at government securities auctions, and it may also acquire these securities in the secondary market. While the Bank's investments in Government of Canada nominal bonds are held to maturity, the Bank may sell treasury bills in the secondary market to fulfill its monetary policy and financial stability responsibilities.

The Bank also conducts a program of term repos that make up a portion of the assets on the Bank's balance sheet. These term repos are short-term transactions with primary dealers against high-quality securities.

The liability-driven process of managing the Bank's balance sheet, as described above, could change into an asset-driven one under exceptional circumstances, if the Bank chose for monetary policy or financial stability purposes, to conduct large-scale asset purchases, credit easing and/or provide extraordinary liquidity. In this instance, the Bank would actively change the size and composition of assets on its balance sheet in a targeted fashion to meet its policy objectives. In turn, Government deposits and/or settlement balances on the liability side of the balance sheet would grow to passively offset assets.

Government of Canada Securities Portfolio

The Bank's outright holdings of Government of Canada nominal bonds and treasury bills are structured to broadly reflect the composition of the federal government's stock of nominal domestic marketable debt. The Bank generally does not purchase Government of Canada Real Return Bonds, given the low level of issuance of such bonds and to avoid any perceived conflict with monetary policy.

Typically, a fixed percentage of Government of Canada bonds is acquired on a non-competitive basis at each bond auction to achieve the target structure for asset allocations. The Bank's minimum purchase amount is disclosed in the Call for Tenders of the relevant bond auction, and the actual amount purchased is disclosed in the bond auction results. The public would also be notified of any change to this fixed percentage of purchases.

Government of Canada treasury bills and cash-management bills are also acquired on a non-competitive basis but for a variable amount, depending on the Bank's specific balance-sheet needs at the time of each auction. These amounts are based on Bank staff projections of expected future demand for bank notes and other liabilities and the amount of treasury bills and bonds that will mature in the following weeks. The actual amount purchased is disclosed in the results of each treasury bill auction, which is consistent with the Bank's principle of transparency. The typical practice is to split the total amount of treasury bills purchased by the Bank across the various maturities offered so that the Bank's purchases broadly reflect the same proportions of issuance by the government across the three maturity tranches.

Term Repo Operations

These operations, where high-quality assets are acquired temporarily through the repo market, are conducted to manage the Bank's balance sheet, to promote the orderly functioning of Canadian financial markets and to provide the Bank with information on conditions in short-term funding markets.

As explained above, the Bank's implementation of monetary policy is based on influencing the overnight interest rate. However, the Bank also conducts money market operations at longer maturities, provided such operations do not reduce the Bank's influence on the overnight interest rate.

Term repos transacted by the Bank typically have approximately 1- and 3-month terms. In these transactions, the Bank purchases from primary dealers Canadian dollar-denominated marketable securities that are directly issued or explicitly guaranteed by the Government of Canada or by a Canadian provincial government. At the end of the term, the Bank sells these same securities back to the original counterparty at a pre-determined price, with the difference between the Bank's initial purchase and subsequent sale prices equalling the interest for the term of the transaction. The Bank may also conduct term repos for different terms—for example, to offset seasonal fluctuations in the demand for bank notes—and can modify the range of securities eligible if deemed appropriate.

Term repo operations allow the Bank to acquire assets on a temporary basis for its balance sheet. This provides the Bank with flexibility in the management of its assets, and it also helps reduce the need for the Bank to acquire Government of Canada securities outright for its balance sheet, which may help support the liquidity of the Government of Canada securities market. These term repo operations also support the Bank's monitoring of liquidity conditions in term funding markets and may encourage the further development of, and liquidity in, the longer-term repo market in Canada.

See the latest terms and conditions for term repos

View details on outstanding and upcoming term repo operations

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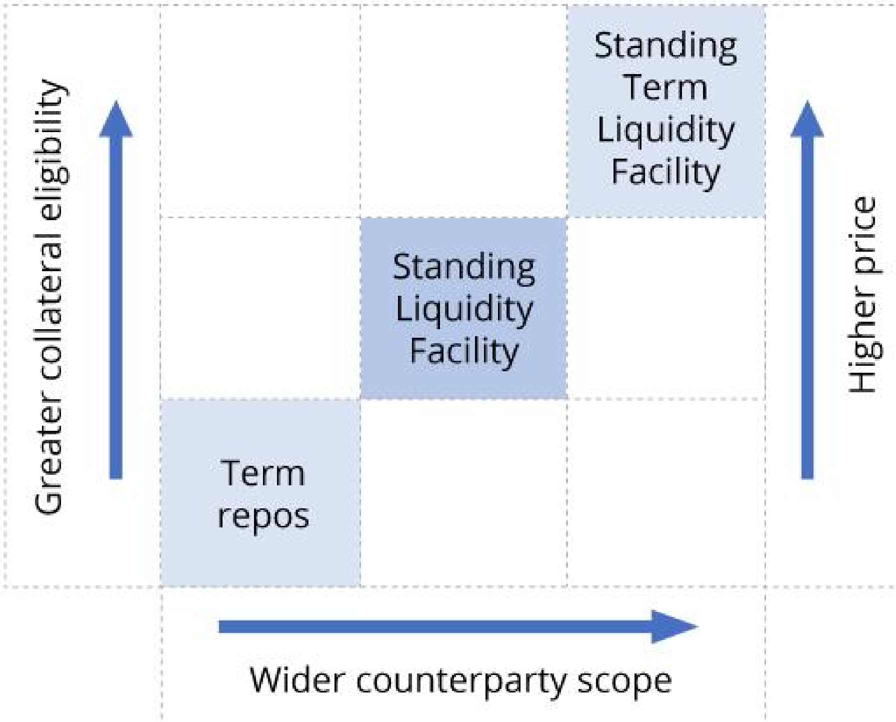
Standing Term Liquidity Facility (STLF)

The STLF is intended to provide greater confidence that an eligible financial institution facing liquidity stress will have access to central bank liquidity on terms that are known in advance. This liquidity stress can stem from various sources, including system-wide liquidity conditions as well as operational incidents such as cyber attacks, system failures and natural disasters. An institution is eligible to draw on the facility if the Bank of Canada has no concerns about its financial soundness.

The STLF provides access to a broader set of eligible counterparties against a broader set of collateral at a higher price relative to routine term repo operations and the Standing Liquidity Facility (SLF). This facility provides the Bank with a larger menu of complementary tools that support graduated and well-designed interventions, consistent with the Bank's previously established **principles for liquidity intervention**. As with other Bank liquidity tools, provision of liquidity under the STLF will be at the sole discretion of the Bank of Canada.

Figure 2: Graduated nature of the Bank of Canada's liquidity provision tool kit



View the terms and conditions for the Standing Term Liquidity Facility

View the Rules Governing Advances to Financial Institutions

Securities-Lending Program

Announcement: The Securities-Lending Program is suspended and replaced with the **Securities Repo Operations**.

The Bank established its Securities-Lending Program in 2002 to help support the liquidity of Government of Canada securities by providing a secondary and temporary source of these securities to the market. Under this program, the Bank can lend a portion of its holdings of Government of Canada securities to primary dealers when the Bank judges that a specific bond or treasury bill is trading below a certain threshold, or is unavailable, in the repo market. Securities are lent through a tender process for a term of one business day.

This program helps support the liquidity of the Government of Canada securities market and is designed to support efficient clearing and price discovery. A liquid and efficient market for Government of Canada securities is important to the efficient functioning of Canadian financial markets. It helps the Government and other borrowers in their financing activities and supports the Bank's objectives in the transmission of monetary policy.

The Securities-Lending Program is structured such that when the program intervention threshold is triggered, the Bank can make up to 50 per cent of its portfolio of Government of Canada bonds and bills available on any given day. The securities are offered through a tender process, once a day (typically at 11:15 a.m. ET) and for a term of one business day.

View the terms and conditions for the Securities-Lending Program

Securities Repo Operations

The Bank of Canada's Securities Repo Operations program provides a temporary source of Government of Canada nominal bonds and treasury bills to primary dealers to support liquidity in the securities financing market. The Bank will make a portion of its holdings of these securities available on an overnight basis through daily repurchase operations.

Providing Liquidity in Extraordinary Circumstances

Overview of extraordinary liquidity provision

Under exceptional circumstances, the Bank has the authority to provide extraordinary liquidity to support financial system stability.

To respond to severe system-wide liquidity stress, the Bank can provide **market-wide liquidity** in a number of ways, including by

- increasing the level of settlement balances;
- conducting exceptional buyback transactions, to a maximum term of 380 days, using an expanded range of securities and instruments, provided that certain criteria are met;
- lending to a broader range of financial institutions than participants in the Large Value Transfer System and for terms longer than overnight;
- engaging in outright purchases of an expanded range of securities and instruments, provided that certain criteria are met and subject to amending the **Bank of Canada Policy for Buying and Selling Securities Under Subsection 18.1(1) of the Bank of Canada Act**; and
- typically lending on a market wide-basis, but could also lend on a bilateral basis.

To address funding shortages at specific financial entities, the Bank can also provide secured **advances** through Emergency Lending Assistance (ELA), subject to the **Rules Governing Advances to Financial Institutions.**

Providing Market-Wide Liquidity

To support the efficient functioning of Canadian financial markets in response to a severe system-wide liquidity shortage, the Bank could expand existing operations (e.g., Overnight Repo/Overnight Reverse Repo operations, Term Repos) along different dimensions or introduce additional facilities to provide extraordinary market-wide liquidity. If the liquidity shortage is system-wide rather than due to an idiosyncratic liquidity shock at an individual institution, ELA would not necessarily be needed.

In determining the form and quantity of extraordinary market-wide liquidity to provide, the Bank would consider the following five guiding principles for central bank intervention:

1. **Targeted:** Intervention should target market failures (liquidity distortions) that are of system-wide importance and that can be rectified by a central bank.
2. **Graduated:** Intervention should be commensurate with the severity of the problem.
3. **Well-designed:** Use the right tools for the right job. Market-based transactions, in most cases provided through auction mechanisms, should be used to alleviate market-wide liquidity problems, while loans should be used to address liquidity shortages affecting specific institutions.
4. **Efficient, non-distortionary:** Central bank transactions should be at market-determined prices to minimize distortions.
5. **Mitigation of moral hazard:** The risk of creating adverse incentives that could impair the functioning of the financial system over time should be considered carefully, and measures should be taken to mitigate such risks. For example, such measures can include limited, selective intervention and penalty pricing, where appropriate.

In terms of expanding existing operations, which are auction-based and subject to minimum bid rates, the Bank could increase the size or overall amount of liquidity provided (possibly alongside an increase in the level of settlement balances), the term of the operations and/or their frequency. Additional enhancements to existing operations could include broadening the set of eligible collateral and/or expanding the list of eligible counterparties, subject to any criteria deemed appropriate by the Bank.

Amid the 2007–09 global financial crisis, the Bank expanded its provision of liquidity and activated a number of temporary market-wide liquidity facilities. In accordance with the five guiding principles outlined above, these facilities varied along different parameters, including eligible counterparties, eligible securities and terms. [5] As of April 2010, all of these temporary facilities had been deactivated; however, the Bank retains the ability to reactivate any of these facilities or to introduce new operations to deal with severe market-wide liquidity stress.

An additional area where the Bank could expand flexibility in response to severe market-wide liquidity stress is to activate its standing, or non-auction based, bilateral facility, the Contingent Term Repo Facility.

Contingent Term Repo Facility

The Bank's standing facility to respond to severe market-wide liquidity stress is the Contingent Term Repo Facility (CTRF). Upon activation, the CTRF would offer eligible counterparties liquidity on a standing, bilateral basis. This facility would provide flexibility to the Bank to offer liquidity beyond Primary Dealers and their affiliates, at the Bank's discretion, should the Bank deem it necessary to support the stability of the Canadian financial system. Counterparties beyond Primary Dealers and their affiliates would need to demonstrate significant activity in the Canadian money and/or bond markets, be subject to federal or provincial regulation, and meet any other conditions the Bank requires.

Activation and deactivation of the CTRF would be at the Bank's sole discretion, as conditions warrant. This facility would not be used to address idiosyncratic liquidity shocks at individual institutions. Terms and conditions for the CTRF would be published upon activation.

See Program Details for the CTRF

Advances

Emergency Lending Assistance

Emergency Lending Assistance, or ELA, is a loan or advance to eligible financial institutions (FIs) and financial market infrastructures (FMIs) at the Bank of Canada's discretion. The provision of ELA is extraordinary and designed to provide last-resort liquidity to individual FIs or FMIs that are facing serious liquidity problems.

View the current ELA policy

Endnotes

Footnotes

1. There are two standing lending facilities: the **Standing Liquidity Facility**, available to LVTS participants, and the **Overnight Standing Repo Facility** (formerly the Overnight Standing Purchase and Resale Agreement Facility), which is available to primary dealers.[←]
2. See **Canada's Major Payments Systems** to learn more about Canada's major payments systems.[←]
3. This requirement for transparency may be waived under exceptional circumstances. [←]
4. When market conditions warrant, the Bank can implement unconventional monetary policy which may involve targeted purchases to affect certain segments of the yield curve or purchases of other assets. See the Annex included in the **April 2009 Monetary Policy Report** to learn more about the Bank's framework for conducting monetary policy at low interest rates.[←]
5. These temporary market-wide liquidity facilities included: **the Term Purchase and Resale Agreement (PRA)**, **the Term PRA for Private Sector Money Market Instruments**, which was replaced by the **Term PRA for Private Sector Instruments**, and the **Term Loan Facility**.[←]