

Provincial Bond Purchase Program (PBPP) – Term Sheet

April 30, 2020

Program Format

- The Provincial Bond Purchase Program (“PBPP” 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 BMO Global Asset Management Inc. (“BMO GAM” or “the Asset Manager”) and supported by Canadian Imperial Bank of Commerce Mellon (“CIBC Mellon” or “the Custodian”) as a custodian. The program will support the liquidity and efficiency of provincial government funding markets. The program’s parameters may be expanded if conditions warrant.

Duration

- The program will begin on May 7, 2020 and operate for 12 months from May 7, 2020 to May 6, 2021.

Program Size

- The program will hold up to a total of CAD50BN par value of eligible assets.

Eligible Issuers

- Eligible issuers are all Canadian provinces and territories and provincial and territorial guaranteed agencies.

Eligible Assets

- CAD-denominated bonds maturing on or before April 15, 2031 issued by or guaranteed by a provincial or territorial government that meet the criterion of sufficiently high quality as determined by the Bank. A list containing eligibility information and decisions to impose additional risk mitigants for provinces whose securities are either directly issued or guaranteed, is provided on the [Bank’s website](#). The program will purchase the eligible assets in the secondary market.

Ineligible Assets

- Non-guaranteed agency bonds, municipal bonds, real return bonds, FRNs, strip/residuals, T-Bills, and promissory notes issued by provinces or territories are ineligible for purchase in the program.

Ratings

- There is no minimum rating requirement.

Issuer Limits

- The Bank will not purchase more than 20% of an issuer's eligible assets outstanding. The eligible amount of an issuer's assets outstanding will be recalculated on a monthly basis. The amount of debt purchased for any given eligible issuer will factor in the share of the issuer's debt outstanding as well as the issuer's share of Canada's GDP.

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.

Program Operation

- Program purchases will be executed through a tender offer process. Authorized dealers will be provided advance notice before a tender date as to the eligible assets for tender. Dealers will communicate offers to sell notional amounts of eligible assets at a specified price to BMO GAM, at times determined by BMO GAM.
- Primary dealers for Government of Canada marketable bonds as listed on the Bank of Canada [website](#) are eligible to participate in the program. Eligible dealers should contact [BMO GAM](#) to register.
- The program may also use open market purchases. The program and its operation may be amended at any time. All tenders submitted by authorized dealers will be subject to the terms and conditions for the program that will be communicated to dealers during the application process.

Reporting

- The Bank will report its aggregate holdings of provincial bonds acquired through this program every Friday on the Bank's weekly balance sheet.