



# Terms and Conditions of the Term PRA Facility for Private Sector Money Market Instruments

Effective 27 October 2008 to 16 March 2009

## Operations details

- Auction date, amount, settlement date, term to maturity, and other information will be announced by the Bank of Canada ahead of each auction.
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## Type of auction

- Multiple yield competitive auction.
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## Eligible counterparties

Direct bidders:

- Primary Dealers (PDs) in Government of Canada Securities.

Indirect bidders:

- Eligible indirect bidders will consist of institutions which can demonstrate significant activity in the Canadian dollar wholesale money markets and which are subject to Federal or Provincial regulation.
  - Eligible counterparties participating at the term PRA auction as an indirect bidder are asked to complete an application form and, if the application is accepted, to have agreed with and signed the PRA agreement with the Bank of Canada two business days prior to the operation.
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## Affiliated entities

- Entities that do not have a strict arm's-length relationship with one another (i.e., affiliates) are considered one bidder for the purposes of Term PRA operations.
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## Bidding process

- Each bid must be submitted on a yield basis, to three decimal places.
  - A maximum of two bids can be submitted by each bidder.
  - Bids must be submitted through PDs to the Bank of Canada via phone and confirmed by PDs by fax.
  - Indirect bidders must submit bids via a single PD.
  - The deadline for receiving bids will be announced by the Bank of Canada ahead of the auction.
  - Indirect bidders will be assigned an identification number to use when bidding at auction.
  - Each indirect bidder must not bid directly or indirectly on behalf of, or in concert with, any other participants.
  - The Bank of Canada reserves the right to accept or reject any or all bids, in whole or in part, including, without limitation, the right to accept less than the total amount specified ahead of the auction.
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## Minimum bid rate and amount

- The minimum bid rate will be announced by the Bank of Canada ahead of the auction.
  - The minimum bid amount is \$25 million, with minimum increments of \$5 million.
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## Allocation mechanism

- Funds will be allocated in descending order of bid yields. Bids at the highest yield will be accepted first, and subsequently bids at successively lower yields will be accepted until the total amount of funds auctioned have been allocated. Bids at the cut-off yield (minimum accepted yield) will be prorated, and rounded down to the nearest \$1 million. Bids below the minimum bid rate will not be accepted.
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## Maximum allocation

- Each PD will have a bidding limit of 25 per cent of the auctioned amount on their own behalf.
  - Aggregate limits will apply to PDs as in existing Term PRA transactions.
  - Each indirect bidder will have a bidding limit of 25 per cent of the auctioned amount.
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## Timing of results

- PDs will be notified of their own and their indirect bidders' winning bids by phone following the allotment.
  - Results will be published on the Bank of Canada website as soon as possible following the auction.
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## Eligible collateral

The eligible securities for these transactions will consist of Canadian-dollar denominated:

- Bankers' acceptances and promissory notes, including those of foreign issuers, (maximum term, 364 days) with a minimum issuer credit rating of R1 (low) by the Dominion Bond Rating Service (DBRS), or A-1 (mid) by Standard and Poor's (S&P), or P1 by Moody's Investors Service (Moody's);
- Commercial paper, including that of foreign issuers, (maximum term, 364 days) with a minimum issuer credit rating of R1 (low) by DBRS, or A-1 (mid) by S&P, or P1 by Moody's;
- Asset-backed commercial paper (ABCP) of eligible programs, with a minimum of two credit ratings, at least two ratings that are either R1 (high) by DBRS, A-1 (high) by S&P, P1 by Moody's, or F1+ by Fitch Ratings.

The following conditions will be applied to the use as collateral of all the securities listed above:

- Securities issued by the bidder (or any related party) cannot be used as collateral by the same bidder, with the exception of Bank-sponsored ABCP meeting the Bank of Canada's criteria. The latter are eligible securities for Term PRAs on a temporary basis;
  - The security must not have an embedded option or carry a right of conversion into equity securities;
  - The minimum principal amount of any individual security submitted as collateral must be \$10 million.
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## Notification of collateral to be used

- PDs must notify the Bank of Canada of the securities that will be used as collateral, both by themselves and by their indirect bidders, by the time specified by the Bank of Canada ahead of the auction.
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## Concentration limit

- In the case of PDs, the exposures arising from these operations will be combined with those for other Term PRAs.

- An institution may offer the obligation of a single private-sector, municipal, foreign issuer or related party subject to a cumulative limit of 20% (par value) of the cumulative amount of the Term PRAs outstanding with that institution.
  - Concentration limit will not be applied if the amount allocated to a participant is \$50 million or less.
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## Margins

- Eligible securities in these term PRA transactions will be subject to the same margin requirements as in other Term PRA transactions. See [Margin Requirements](#).
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## Margin calls

- Transactions will be subject to margin calls if the value of the posted collateral falls below a threshold acceptable to the Bank of Canada.
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## Interest calculation

- Interest on the funds will be calculated on an actual/365 day basis.
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## Counterparty settlement instructions

- All settlement of allotted indirect bids will be undertaken through the PDs submitting those bids.
  - Collateral shall be delivered to the Bank of Canada by 3 p.m. (Ottawa time) through CDSX on the settlement day of the auction. Collateral to be delivered shall be confirmed with and priced by the Bank of Canada after the auction and prior to delivery. A confirmation of the transaction will be provided by the Bank to the PD through which the bid was received.
  - Bank of Canada CDS settlement CUID is BOCB
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## Legal arrangements

- Eligible counterparties must have made the appropriate legal arrangements with the Bank of Canada. In the case of indirect bidders, they must sign the PRA agreement with the Bank of Canada and provide any additional legal documentation required by the Bank of Canada.
- The Bank of Canada reserves the right to change the terms of subsequent Term PRA transactions by posting a revised version of these Terms and Conditions.
- Each bid shall be unconditional and shall be received by the Bank of Canada, not later than the time, and on the auction day, announced ahead of the auction.

