The Governor of the Bank of Canada establishes this policy pursuant to subsection 18.1(1) of the Bank of Canada Act, for buying and selling securities and financial instruments for the purposes set out in paragraph 18(g)(i) of the Act. This policy sets out the range of securities and instruments that the Bank will use for certain types of transactions but it in no way obligates the Bank to accept the full range of securities and instruments for any particular transaction. Nor does this policy in any way restrict the securities and instruments in which the Bank may transact pursuant to its statutory powers other than those powers set out in paragraph 18(g)(i) of the Act, including, without limitation, paragraph 18(g)(ii).

**Purposes and Types of Financial Transactions under Paragraph 18(g)(i)**

Pursuant to paragraph 18(g)(i) of the Act, the Bank may buy and sell securities and instruments, other than instruments that evidence an ownership interest in an entity, for purposes of conducting monetary policy or promoting the stability of the Canadian financial system. In conducting monetary policy and promoting the stability of the Canadian financial system, the Bank buys and sells securities and instruments through purchase and resale transactions (buybacks). The Bank determines, at its sole discretion, when it will engage in buybacks and the securities and instruments which it will use, within the range of securities and instruments set out below.

**Transactions in the Normal Course**

In the normal course, the Bank engages in buyback transactions with primary dealers for purposes of implementing monetary policy, when it feels that market conditions warrant such transactions. The Bank will normally buy and sell Government of Canada bonds and treasury bills in such transactions. Buyback transactions normally have a duration of one business day (being a day on which there is a clearing of payment items pursuant to the Canadian Payments Act) but the Bank may from time to time conduct buybacks in the normal course for longer terms.

**Exceptional Transactions**

The Bank may also engage in buyback transactions for purposes of addressing a situation of financial system stress that could have material macroeconomic consequences. In buyback transactions for this purpose, the Bank may expand the range of securities and instruments that it will buy and sell beyond Government of Canada bonds and treasury bills to include any or all of the following securities and instruments:
• any security issued or guaranteed by the Government of Canada or a provincial
government;
• securities issued or guaranteed by the U.S. Government;
• securities issued or guaranteed by member states of the Organization for Economic
Cooperation and Development (OECD), including Canadian dollar securities issued
or guaranteed by member states of the OECD;
• Canadian dollar corporate and municipal bonds, including Canadian dollar bonds
issued by foreign entities;
• Canadian dollar bankers acceptances with a term to maturity not exceeding 365
days;
• Canadian dollar promissory notes with a term to maturity not exceeding 365 days;
• Canadian dollar commercial paper, including asset-backed commercial paper, with a
term to maturity not exceeding 365 days; and,
• Canadian dollar term asset-backed securities,

provided that the securities or instruments meet such applicable conditions and criteria as
may be published by the Bank from time to time, including, without limitation, credit
rating requirements. (Such buyback transactions conducted for this purpose and using an
expanded range of securities or instruments to be referred to as “exceptional
transactions”.)

Exceptional transactions will be conducted with such counterparties and will be
for such duration as the Bank chooses, subject to a maximum term for any transaction of
180 days. The Bank will publicly announce in advance when it intends to conduct
exceptional transactions, the range of counterparties with whom it will transact, the
securities or instruments that it will use in the transactions, the term of the transactions
and any other terms that it considers appropriate.

Resort by the Bank to exceptional transactions is distinct from, and does not take
the place of, the Bank’s power under paragraph 18(g)(ii) to buy and sell any securities
and other financial instruments where the Governor is of the opinion that there is severe
and unusual stress on a financial market or the financial system\footnote{This power has been in the Act since 2001.}.

\textbf{Terms and Arrangements for Counterparties}

In order to be eligible to be a counterparty in normal course buyback transactions
or exceptional transactions with the Bank, an entity must first make appropriate
arrangements with the Bank, including, without limitation, operational arrangements and
entering into the Bank’s legal agreements.

In addition to this policy, all transactions for the purchase and sale of securities
are subject to such policies, rules and terms pertaining to that transaction as the Bank may
publish from time to time.
**Coming into Force of the Policy**

This policy comes into force on the later of

(a) as provided in subsection 18.1 (2) of the *Bank of Canada Act*, seven days after the day on which the Bank publishes it in the Canada Gazette, and

(b) the day on which sections 146 and 147 of the *Budget Implementation Act, S.C. 2008, c. 28* come into force.

Dated this 15th day of July, 2008.

MARK CARNEY  
Governor,  
Bank of Canada