

**TERMS AND CONDITIONS GOVERNING THE MORNING AUCTION
OF RECEIVER GENERAL CASH BALANCES
(02-FEBRUARY-2024)**

1. Overview

Excess Receiver General cash balances are invested with select counterparties through an auction process administered by the Bank of Canada, on behalf of His Majesty the King in right of Canada as represented by the Minister of Finance (“Canada”). Tenders may be held on any day when clearing exchanges occur. This document sets forth the Terms and Conditions for participation in the morning auction of Receiver General cash balances.

Each winning participant in the morning auction (each, a “Participant”) will provide security for the amounts awarded to such Participant by way of a purchase – reverse repurchase (“repo”) transaction whereby the Participant will sell eligible securities to Canada in exchange for the amount to be invested and repurchase such securities at the agreed upon repurchase price at the maturity of the investment. Each such repo transaction (a “Receiver General Repo Transaction”) will be documented pursuant to a repurchase agreement between Canada and the Participant using the SIFMA/ICMA Global Master Repurchase Agreement (2011 Version), as amended by the supplemental terms and conditions set out in Annex I to that form that accompanies these terms and conditions (the “GMRA”).

2. Eligibility for Participation in the Morning Auction

To be eligible to participate in the morning auction, a Participant must have experience and expertise in the execution of capital market transactions and be:

- a) a Crown corporation or an agent of the federal government with a credit rating of at least “BBB” as defined in Appendix A; or
- b) a provincial government or an agent of a provincial government with a credit rating of at least “BBB” as defined in Appendix A; or
- c) a federally- or provincially-regulated deposit-taking institution with a credit rating of at least “BBB” as defined in Appendix A; or
- d) a primary dealer of Government of Canada securities.

3. Documentation Requirements

Approval for participation rests solely with the Minister of Finance based on such information and execution of documents that the Minister may require, including:

- a) a GMRA between Canada and the Participant (a “Receiver General GMRA”);
- b) a Tri-Party Repo Services Agreement between Canada, the Participant and the Agent (as defined below) (a “Tri-Party Agreement”);

- c) a credit rating confirmation; and,
- d) such other documents, or opinions, as may be required by Canada from time to time.

4. Continued Eligibility for Participation and Access to Auctions

The Minister of Finance has sole discretion to remove a Participant from the list of approved counterparties for Receiver General Repo Transactions, cap or limit a counterparty's awards in a particular auction or otherwise cease to enter into Receiver General Repo Transactions with such counterparty for any reason including if such counterparty:

- a) fails to provide Canada, on a timely basis, with any information that Canada deems necessary to determine that the counterparty continues to satisfy the eligibility criteria listed in Section 2;
- b) becomes subject to regulatory or legal proceedings that, in the sole judgment of Canada, unfavorably impacts the counterparty relationship;
- c) poses, in Canada's sole judgment, undue risks to the integrity, reputation, or assets of the Government of Canada; or
- d) does not, in Canada's sole judgment, meaningfully participate in Receiver General Repo Transactions over a period of time.

5. Allocation Limit

The allocation limit imposed on each Participant is determined by the Participant's credit rating, pursuant to Appendix A, as follows:

- No limit for Participants or Related Entities (as defined in Appendix B) with a credit rating of "A" or better.
- Up to \$2 billion for any given auction and no more than \$2 billion outstanding at any time for Participants or Related Entities (as defined in Appendix B) with a credit rating of "BBB" or primary dealers with a rating below "BBB" (including unrated).
- Related Entities (as defined in Appendix B) subject to the \$2 billion limit will share the \$2 billion auction/outstanding limit and must provide Canada with standing instructions on the sharing arrangement. Related Entities may request amendments to their standing instructions from time to time, to be reviewed at the discretion of Canada.

6. Eligible Securities for Receiver General Repo Transactions

Securities sold to Canada in Receiver General Repo Transactions by Participants or Equivalent Securities repurchased by Participants must satisfy the eligibility criteria set out in Appendix C.

7. Bidding and Settlement Procedures for Receiver General Repo Transactions

The bidding and settlement procedures for Receiver General Repo Transactions will be as set out in Appendix D.

8. Amendments to the Terms and Conditions

These Terms and Conditions may be amended by Canada at any time by notice posted on the Bank of Canada website. Amendments shall be effective upon the date specified, and if no date is specified, they shall be effective when posted on the Bank of Canada website. Posting amendments on the Bank of Canada website shall constitute sufficient notice for all purposes.

9. Contacts and Notices

Entities wishing to participate in the morning auction are invited to contact:

Alexander Bonnyman
Director
Funds Management Division
Department of Finance
Ottawa, ON
Alexander.Bonnyman@fin.gc.ca
(343) 549-3651

with a copy to:

Scott Kinnear
Director, Treasury, Auctions and Settlement Systems Financial
Markets Department
Bank of Canada
Ottawa, ON
skinnear@bank-banque-canada.ca
(613) 782-7723

A Participant shall notify Canada of any event or change in its circumstances, including its business, operations, financial condition, or change in its credit rating as set out in Appendix A, material to its participation in the auctions, immediately upon becoming aware of such event or change.

A Participant shall provide Canada with up-to-date contact information (including name, title, address, telephone number and email address) for those individuals:

- a) authorized to submit bids at morning auctions; and,
- b) authorized to act as a point of contact for morning auctions.

Appendix A

CREDIT RATING DEFINITIONS FOR PARTICIPANTS IN THE MORNING AUCTION OF RECEIVER GENERAL CASH BALANCES

Two stand-alone¹ credit ratings from approved private sector credit rating agencies will be used to assign ratings to Participants. The approved private credit rating agencies are: Standard and Poor's ("S&P"), Moody's Investors Service ("Moody's"), Fitch Ratings ("Fitch") and Dominion Bond Rating Service ("DBRS"). Where stand-alone credit ratings differ, the second highest stand-alone credit rating shall be used. For the purposes of the Receiver General Morning Auction, Related Entities (as defined in Appendix B) will be assigned the same credit rating. Canada reserves the right to determine which entity's credit rating will be applied.

"A" or better rating

An entity will be considered to be rated "A" or better if at least two long-term stand-alone credit ratings have been assigned to such entity and at least two long-term stand-alone credit ratings assigned to such entity are equal to or better than:

Moody's	S&P	DBRS	Fitch
a3	a-	A (low)	a-

"BBB" rating

An entity that is not rated "A" or better will be considered to be rated "BBB" if at least two long-term standalone credit ratings have been assigned to such entity and at least two long-term standalone credit ratings assigned to such entity are equal to or better than:

Moody's	S&P	DBRS	Fitch
baa3	bbb-	BBB (low)	bbb-

¹ Stand-alone credit ratings are defined as the Baseline Credit Assessment (BCA) from Moody's, the Stand-Alone Credit Profile (SACP) from S&P, the Viability Rating (VR) from Fitch, and the Intrinsic Assessment (IA) from DBRS, each of which assesses the financial strength of the counterparty rather than the creditworthiness of any particular issue of securities.

Appendix B

RELATED ENTITIES

Two persons are related if one is controlled by the other or if both are controlled by the same person.

A person controls an entity that is a corporation if:

- (a) securities of the corporation to which are attached more than 50 per cent of the votes that may be cast to elect directors of the corporation are beneficially owned by that person or group of persons in a non arms-length relationship, and the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the corporation; or
- (b) the aggregate of (i) any securities of the corporation that are beneficially owned by that person or group of persons in a non arms-length relationship and (ii) any securities of the corporation that are beneficially owned by any entity controlled by that person or group of persons in a non arms-length relationship is such that, if that person or group and all of the entities controlled by it that beneficially own securities of the corporation were one person, that person would control the corporation; or
- (c) that person or group of persons in a non arms-length relationship controls an entity that controls the corporation.

A person controls an unincorporated entity that is a limited partnership if:

- (a) that person is the general partner of the limited partnership; or
- (b) that person controls an entity that controls the limited partnership.

A person controls an unincorporated entity, other than a limited partnership, if:

- (a) more than 50 per cent of the ownership interests, however designated, into which the entity is divided are beneficially owned by that person or group of persons in a non arms-length relationship and that person or group is able to direct the business and affairs of the entity; or
- (b) that person or group of persons in a non arms-length relationship controls an entity that controls the unincorporated entity.

A person controls any entity if that person has any direct or indirect controlling influence over the management and policies of the entity whether alone or in combination with one or more other persons and whether through the beneficial ownership of securities, through one or more other persons or otherwise.

For the purposes of this definition:

“entity” means a body corporate, trust, partnership, fund, an unincorporated association or organization, His Majesty in right of Canada or of a province, an agency of His Majesty in either of such rights and the government of a foreign country or any political subdivision thereof and any agency thereof;

“person” means a natural person, an entity, or a personal representative.

Appendix C

ELIGIBLE SECURITIES FOR RECEIVER GENERAL REPO TRANSACTIONS

Securities eligible for Receiver General Repo Transactions must satisfy all of the applicable requirements set out in sections 1 through 3 inclusive.

1. General Restrictions

- a) Securities must be denominated in Canadian dollars.
- b) Securities must be in book-entry form (that is, ownership interests in the securities must be evidenced by book entries rather than physical certificates) and be cleared and settled through the clearing and settlement service operated by CDS Clearing and Depository Services Inc. (“CDSX”).
- c) No more than 20 per cent of the total value of the securities sold to Canada may be comprised of securities issued by a municipal government or a private sector issuer (including corporate bonds, covered bonds, bankers’ acceptances and commercial paper), and no more than 5 per cent of the total value of the securities sold to Canada may be issued by a single private sector or municipal issuer (or any related party).
- d) Securities must not have been issued by the seller (or any related party).
- e) The Participant must not have provided any form of credit support or enhancement for the security. This would include, for example, bankers’ acceptances for which the Participant is the stamping financial institution.
- f) The security must have a minimum of two credit ratings from two approved private sector credit rating agencies, the second highest of which will be used to determine eligibility and margin requirements. The approved private credit rating agencies are: S&P, Moody’s, Fitch and DBRS.
- g) A liquid market must exist for the security and a reliable market price must be obtainable.
- h) The security must not have an embedded option or carry a right of conversion into equity securities, with the exceptions being non-financial calls (i.e., “Canada call”) and “soft bullets” (in the case of covered bonds).
- i) The security must not mature or be about to undergo a corporate action during the term of the transaction.
- j) A minimum principal amount of \$1 million of an individual security is required (except for securities transferred to clean up “tag end” amounts, including margin calls and security substitution).
- k) Cash would normally be acceptable only to clean up “tag end” amounts, including margin calls and collateral substitution. No interest will be paid to the seller on cash.

2. Substitution of Securities

In accordance with the Receiver General GMRA and subject to operational limitations, Participants may substitute eligible securities.

3. Eligible Securities and Associated Margin Requirements

The table below lists the eligible securities and associated margin percentages (“haircuts”) that will be applied (note that margins for securities with one year or less to maturity are adjusted by term divided by 365).

Type of Security	Haircut by Remaining Term to Maturity					
	Up to 1 year	>1-3 years	>3-5 years	>5-10 years	>10-35 years	>35 years
Government of Canada	0.50%	1.00%	1.50%	2.00%	6.00%	6.50%
Government of Canada – stripped coupons and residuals	0.50%	1.50%	2.00%	2.50%	7.00%	9.50%
Securities guaranteed by the Government of Canada (including Canada Mortgage Bonds and NHA mortgage-backed securities with a minimum pool size of \$25 million ²)	2.50%	3.00%	3.50%	4.00%	9.00%	9.50%
Securities guaranteed by the Government of Canada – stripped coupons and residuals	1.50%	2.50%	3.00%	3.50%	8.50%	10.00%
Securities issued by a provincial government rated by DBRS: R-1(low) / A(low) or better rated by Fitch: F-1 / A- or better rated by Moody’s: P-1 / A3 or better rated by S&P: A-1(mid) / A- or better	1.75%	2.50%	3.00%	3.50%	8.50%	9.00%
Securities issued by a provincial government – stripped coupons and residuals rated by DBRS: R-1(low) / A(low) or better rated by Fitch: F-1 / A- or better rated by Moody’s: P-1 / A3 or better rated by S&P: A-1(mid) / A- or better	1.75%	3.00%	3.50%	4.00%	9.00%	16.00%
Securities guaranteed by a provincial government rated by DBRS: R-1(low) / A(low) or better rated by Fitch: F-1 / A- or better rated by Moody’s: P-1 / A3 or better rated by S&P: A-1(mid) / A- or better	2.00%	3.00%	3.50%	4.00%	9.00%	9.50%
Securities guaranteed by a provincial government – stripped coupons and residuals rated by DBRS: R-1(low) / A(low) or better rated by Fitch: F-1 / A- or better rated by Moody’s: P-1 / A3 or better rated by S&P: A-1(mid) / A- or better	2.00%	3.50%	4.00%	4.50%	9.50%	17.50%
Securities issued by a municipal government rated by DBRS: R-1(mid) / AA(low) or better rated by Fitch: F-1+ / AA- or better rated by Moody’s: Aa3 or better rated by S&P: A-1(high) / AA- or better	2.25%	3.50%	4.00%	4.50%	10.50%	11.00%

² Excluding NHA mortgage-backed securities which mature or reach the record date for an entitlement event during the term of the Receiver General Repo Transaction.

Securities issued by a municipal government rated by DBRS: R-1(low) / A(low) to A(high) rated by Fitch: F-1 / A- to A+ rated by Moody's: P-1 / A3 to A1 rated by S&P: A-1(mid) / A- to A+	2.25%	3.50%	4.00%	4.50%	10.50%	11.00%
Bankers' acceptances, promissory notes, commercial paper, including those of foreign issuers rated by DBRS: R-1(mid) or better rated by Fitch: F-1+ rated by S&P: A-1(high)	2.50%					
Bankers' acceptances, promissory notes, commercial paper, including those of foreign issuers rated by DBRS: R-1(low) rated by Fitch: F-1 rated by Moody's: P-1 rated by S&P: A-1(mid)	2.50%					
Covered bonds (based on issuer rating) rated by DBRS: AA(low) or better rated by Fitch: AA- or better rated by Moody's: Aa3 or better rated by S&P: AA- or better	2.50%	4.00%	5.50%	6.00%	15.00%	15.50%
Covered bonds (based on issuer rating) rated by DBRS: A(low) to A(high) rated by Fitch: A- to A+ rated by Moody's: A3 to A1 rated by S&P: A- to A+	2.50%	4.00%	5.50%	6.00%	15.00%	15.50%
Corporate and foreign-issuer bonds rated by DBRS: AA(low) or better rated by Fitch: AA- or better rated by Moody's: Aa3 or better rated by S&P: AA- or better	2.50%	4.00%	5.50%	6.00%	15.00%	15.50%
Corporate and foreign-issuer bonds rated by DBRS: A(low) to A(high) rated by Fitch: A- to A+ rated by Moody's: A3 to A1 rated by S&P: A- to A+	2.50%	4.00%	5.50%	6.00%	15.00%	15.50%

The total purchase price for eligible securities to be sold by a Participant under a Receiver General Repo Transaction will be equal to the amount of cash balances awarded to the Participant. The market value of securities that must be sold for that amount will be adjusted by applying the applicable haircuts to the market values of the securities to be sold. Thus the market value of a security sold in exchange for a purchase price P (or the portion of the total purchase price allocated to that type of security, if more than one type is being sold) will be equal to the value M in the following formula:

$$M = P / (1-H)$$

where P is the purchase price and H is the applicable haircut.

Appendix D

BIDDING AND SETTLEMENT PROCEDURES FOR RECEIVER GENERAL REPO TRANSACTIONS

1. Custodial Agent for Canada

As fiscal agent for the Government of Canada, the Bank of Canada manages the day-to-day operations of Receiver General Repo Transactions.

Canada will provide Participants with contact and account details for the custodial agent (the “Agent”) it has appointed to act on its behalf and which each Participant will appoint to act on its behalf for Receiver General Repo Transactions under the Tri-Party Repo Agreement.

2. Procedures Related to Bidding

Call for Tender

The amount of Receiver General cash balances to be offered at tender by tranche and the maturity date for each tranche will be communicated to Participants via the Bank of Canada Auction System (BCAS) by 5:00 p.m. Ottawa time on the business day immediately preceding the tender.

Date of Contracts

Transactions will be dated effective the business day of the tender.

Time and Method of Tendering

All bids will be submitted to the Bank of Canada using the BCAS in the prescribed format by 9:15 a.m. Ottawa time.³

Number of Bids

No more than four bids per tranche may be submitted by each Participant.

Minimum Size of Bid

The minimum eligible bid is \$5 million. Eligible bids will be in even multiples of \$1 million.

Places of Decimals

Bids will be accepted on a yield basis to two (2) places of decimals.

³ On interest rate announcement days, all bids will be submitted by 10:00 a.m. Ottawa time.

Errors in Bids

Once submitted, bids may be modified, cancelled or overwritten by composing and submitting a new bid through the BCAS. To be accepted, modifications or cancellations of bids must be received before the auction deadline. Participants are solely responsible for the accuracy of their bids and all eligible bids submitted and not cancelled before the auction deadline time shall be valid, binding bids.

Right of Refusal

The Minister of Finance reserves the right to accept or reject any or all bids, in whole or in part.

Notification of Tender Results

By 9:20 a.m. on the morning of the auction, the Bank of Canada will advise all Participants via the BCAS the average, high and low rates paid at the auction, the percentage allotment at the lowest accepted yield (this allotment will be rounded to the nearest \$1,000) and will confirm the amount awarded and the corresponding amount due on the maturity date to each winning Participant.⁴

3. Procedures Related to Settlement

A. Procedures for Settling Auction Allocations

- Receiver General Repo Transactions will settle on the same day that cash balances are awarded to the Participant at tender. Participants shall deliver eligible securities to the Agent and the Agent shall deliver Receiver General cash balances awarded to the participant using CDSX.
- Each Participant or its agent duly authorized to issue CDSX instructions on its behalf (a “CDSX Agent”) will issue CDSX trade instructions to the Agent confirming that the Participant or its CDSX Agent will deliver to Canada, in exchange for cash in the amount of its auction allocation, eligible securities having a market value equal to or greater than the cash amount, plus initial margin. These instructions will include the relevant account number, securities that will be delivered against payment, trade date, settlement date, and the amount. In cases where different types of securities are being sold by the Participant, the instructions will also indicate how much of the Participant’s cash amount is to be allocated to

⁴ On interest rate announcement days, the Bank of Canada will communicate the auction results by 10:05 a.m. Ottawa time.

each such type of security. The market value of securities of a particular type in such cases shall be equal to or greater than the cash amount allocated to that type, plus the applicable initial margin (that is, the result of applying the applicable haircut). Each Participant shall be responsible for the adherence of its CDSX Agent with the applicable requirements of this Appendix D, Section 3. For clarity, references in this Appendix D, Section 3 to any actions to be taken by or communications or deliveries to be given to a Participant shall be understood to include such actions, communications or deliveries taken by or given to the Participant either directly or through its CDSX Agent.

- The Agent will match the auction information provided through the BCAS against the trade instructions submitted by the Participant and validate the eligibility of the securities and amounts. If the securities do not meet the eligibility rules, the trade will be cancelled on CDSX. The Agent will request that the participant provide other eligible securities.
- If the securities are acceptable, the Agent will confirm the trade in CDSX provided that the Agent has received all maturing cash from the Participant. Settlements of new winnings prior to 1:00 p.m. will be dependent on sufficient cash being available. This will be completed by 3:00 p.m. At this point, the cash will be delivered to the winning Participant by the Agent, and the securities will be delivered to the Agent by the winning Participant.
- The Agent will settle new Receiver General Repo Transactions with a Participant only after receiving any monies to be returned from maturing Receiver General Repo Transactions by the same Participant.
- Prior to 3:00 p.m., the Agent will facilitate partial settlement, to the extent possible, if insufficient securities are delivered by the Participant. This is subject to the processes outlined in Section C “Purchase Exception Processing – Insufficient Market Participant Securities”.

B. Procedures for Settling Maturing Amounts (Repurchases).

- Standard CDSX procedures will be followed as to which party (the Agent or the Participant) sets up the CDSX trade instructions. The CDSX trade instructions will be set up no later than 1:00 p.m. on the day of settlement.
- When the Participant is responsible for setting up the CDSX trade instructions:
 - the Participant will provide CDSX trade instructions confirming they will deliver cash in exchange for securities, to the value of the maturing Receiver General Repo Transaction (principal plus interest); and
 - the Agent will then match and confirm the trades in CDSX.
- When the Agent is responsible for setting up the CDSX trade instructions:

- the Agent will notify the Participant of the cash value (principal plus interest) of the Receiver General Repo Transaction and will provide CDSX trade instructions to the value of the maturing Receiver General Repo Transaction (principal plus interest); and
 - the Participant will match the information and amounts and will confirm the transaction in CDSX.
- Upon settlement, the securities will be delivered to the Participant and the Agent will receive the cash in its CDSX CUID, crediting the Government of Canada cash account.
 - The Agent will complete the repurchase in a timely manner, starting at 9:00 a.m. and will be completed no later than 1:00 p.m. (To help meet this deadline, Participants should target 12:30 p.m. to have the CDSX trade transactions entered or confirmed.)
 - The Agent will report to the Bank of Canada any failed unwind of maturing Receiver General Repo Transaction as at 1:00 p.m. and will act on instructions issued by the Bank of Canada in this regard.

C. Purchase Exception Processing – Insufficient Market Participant Securities

- If by 2:30 p.m. the securities have not settled in CDSX, the Agent will contact the Participant to discuss the status of transaction.
- If sufficient securities are not received by the 3:00 p.m. deadline to settle a transaction completely, the Bank of Canada will instruct the Agent to either (i) complete a partial settlement of the transaction for the amount of eligible securities that are delivered and release the corresponding amount of funds to the Participant; or (ii) cancel the entire transaction.
- In the event that the Bank of Canada instructs the Agent to partially settle the transaction, the remainder of the Receiver General cash balances that were awarded at tender will be withheld from settling by the Agent and be held by the Agent on behalf of the Receiver General. In this regard, the settlement confirmation delivered to the participant and the Bank of Canada will show the amount withheld as “Withheld Purchase Price.”
- If the Receiver General repo is for longer than one day, the Participant may complete the delivery of securities through the Agent in exchange for the Withheld Purchase Price on any day(s) subsequent to the date of the original failure until delivery is completed.
- In the event that a Participant fails delivery of securities, interest will be payable to the Receiver General by the Participant on the entire amount of Receiver General cash balances awarded at auction at the rate specified in the accepted bid regardless of whether and when delivery of securities occurs for the entire amount.

D. Margin Calls

- The Agent will value the securities on a daily basis in accordance with the Tri-Party Agreement, taking into account applicable haircuts, and in the event a margin call is required, the Agent will contact the Participant to agree on the amounts and positions to be delivered to cover the margin call. The Participant will deliver its positions via CDSX, in the same manner of new allocations, by 3:00 p.m.
- The Agent will settle any securities substitutions requested by Participants up to 4:00 p.m. each day.
- Substitution will be made in accordance with the Tri-Party Agreement against securities that meet the eligibility requirements and must be against equal value. Participants will advise the Agent of their substitution requirements. Participants and the Agent will deliver their positions via CDSX.
- In cases of excess collateralization, the Participant may request to have the excess securities returned. The Agent will process such requests in a timely manner up to 3:00 p.m. in accordance with the Tri-Party Agreement.

E. Central Clearing

- Notwithstanding the foregoing, at such time as Canada elects to become a Fixed Income Clearing Member of the Canadian Derivatives Clearing Corporation ("CDCC"), all Transactions hereunder, if the Participant is also a Fixed Income Clearing Member of CDCC, shall be submitted for clearing to CDCC, whereupon CDCC's rules shall govern the Transaction.