

# DEBT MANAGEMENT REPORT

2007–2008





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2007–2008



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## Foreword by the Minister of Finance

Here in Canada and around the world, the synchronized global recession has led us to make difficult choices. In response to this crisis, the industrialized countries of the world, including Canada, are taking unprecedented action to stimulate their economies.

The global recession was fuelled in part by the worst financial market crisis since the 1930s. These are extraordinary times for the global economy and they call for extraordinary measures.

Fortunately, the country's strong fiscal position, including the significant amount of debt that this Government has repaid in recent years, has given Canada an edge internationally. We are able to put in place measures to stimulate the economy and support those hardest hit by the global recession, without putting the country's long-run fiscal health at risk.

In the financial sector, the Government is responding to the global credit crunch by providing up to \$200 billion through the Extraordinary Financing Framework to improve access to Financing for Canadian households and businesses.

These measures, which are facilitated by Government of Canada debt management, include:

- Purchasing up to \$125 billion in insured mortgage pools through the Insured Mortgage Purchase Program (IMPP).
- Enhancing the resources of financial Crown agencies to extend up to \$13 billion in incremental financing to Canadian businesses.
- Creating the Canadian Secured Credit Facility with an allocation of up to \$12 billion to support vehicle and equipment financing.
- Modernizing the Bank of Canada Act to allow the Bank of Canada more flexibility in providing liquidity.
- Creating assurance facilities to insure the wholesale borrowings of deposit-taking institutions and life insurance companies.
- Launch of a new quarterly 10-year Canada Mortgage Bond in the fall of 2008 by the Canada Mortgage and Housing Corporation.

An efficient and liquid Government of Canada debt market as an anchor to Canada's capital markets will be important as Canada's economy regains its momentum over the coming period.

The Honourable James M. Flaherty, P.C., M.P.  
Minister of Finance

Ottawa, March 2009.







## Purpose of This Publication

This edition of the *Debt Management Report* provides a detailed account of the Government of Canada's borrowing and cash operations for fiscal year April 1, 2007 to March 31, 2008.

It provides a comprehensive report on the environment in which the debt is managed, the composition and changes in the debt during the year, and the implementation of planned borrowing operations and initiatives set out in the 2007–08 *Debt Management Strategy*, published in March 2007. Reference tables containing statistics on the operation of debt programs are provided at the end of the report.

The purpose of this publication is to ensure transparency and accountability in Government of Canada funds management activities. Information on the management of the foreign reserves is provided in a separate report, the *Report on the Management of Canada's Official International Reserves*. The *Debt Management Strategy*, the *Debt Management Report* and the *Report on the Management of Canada's Official International Reserves* are tabled annually in Parliament and are available on the Department of Finance website at [www.fin.gc.ca](http://www.fin.gc.ca).

### Federal Debt Management

Management of the federal debt involves two major activities: managing the portion of the debt that is borrowed in financial markets (market debt); and investing part of the proceeds of borrowings in liquid assets until needed for operations. At March 31, 2008, the market debt totalled \$394.1 billion. This was composed of marketable bonds, treasury bills and cash management bills, retail debt, foreign currency debt and Canada Pension Plan (CPP) bonds. The Government held \$13.7 billion of cash on deposit with the Bank of Canada, chartered banks and other financial institutions.

Market Debt	(C\$ billions)
<i>Payable in Canadian currency</i>	
Marketable bonds	253.5
(fixed-rate bonds with maturities up to 30 years and Real Return Bonds with 30-year maturities)	
Treasury bills and cash management bills	116.9
(zero-coupon securities maturing within 12 months)	
Retail debt	13.1
(Canada Savings Bonds and Canada Premium Bonds)	
CPP bonds	1.0
<i>Payable in foreign currency</i>	
Marketable bonds and foreign currency notes	8.0
(fixed-rate bonds, Canada notes and Euro Medium-Term Notes)	
Canada bills	1.5
(zero-coupon securities within 9 months)	
Total market debt	394.1
<b>Liquid Financial Assets</b>	
Cash on deposit	13.7

Note: Numbers may not add due to rounding.



This document is structured as follows:

- The introduction provides highlights of the debt program for 2007–08, as well as information related to governance and the debt strategy framework.
- Part I describes the environment in which the debt is managed and the composition of market debt.
- Part II reports on the achievement of the two principal objectives of debt management for fiscal year 2007–08: raising funding efficiently and maintaining a well-functioning government securities market.
- Part III provides measures on the outcomes of the domestic debt and foreign debt programs used to finance market debt. It also reviews measures of liquidity and efficiency in the secondary market for Government of Canada securities.
- Annex 1 lists treasury evaluations performed since 1992, Annex 2 contains a list of policy measures taken since 1997 to ensure a well-functioning government securities market, Annex 3 contains a glossary of debt management terms and Annex 4 contains contact information.
- Reference tables provide historical information on debt-related activities.



## **Introduction**

### **Highlights**

#### **Financial Market Turbulence**

Since the start of the second half of 2007–08, financial markets have been marked by turbulence stemming from the sharp decline in the United States housing market and mounting concerns about the creditworthiness of financial instruments and institutions. Although the turbulence has increased market volatility, government borrowing programs in 2007–08 proceeded as planned with normal coverage for treasury bill and bond auctions.

As a result of a flight to quality, demand for government securities was very strong in both the primary and secondary markets, which contributed to wider interest rate spreads between corporate and government securities.

#### **Level of Federal Indebtedness**

Since 2005–2006, the Government has reduced the federal debt by \$37 billion and the proportion of government revenue spent on debt service charges has also been falling steadily.

As well as lowering interest charges—which frees up resources for more productive uses—the reduction in public debt has given the Government flexibility to deal with the current economic slowdown and difficult credit market situation, while maintaining a significant capacity to increase borrowing in order to face new challenges.

#### **Maintaining a Liquid Government Securities Market**

The main challenge in managing the federal debt in recent years has been to support the maintenance of a liquid, well-functioning government securities market as an efficient source of funding in the face of declining borrowing requirements. To this end, debt operations during the 2007–08 fiscal year continued to focus on the liquidity of new issues and outstanding benchmark bonds. The overall size of the bond program was maintained against the backdrop of a larger-than-expected financial source. To help support this objective, the buyback program was maintained at about the same level as in 2006–07 and the issuance of long-term bonds was increased by close to \$1 billion, with roughly equal net issuance of nominal and index-linked securities. Treasury bill issuance was lower than planned.



### **Consolidated Borrowings of Crown Corporations**

As announced in Budget 2007, since the start of 2008–09 the Government has fully consolidated the borrowings of three financial Crown corporations—the Business Development Bank of Canada (BDC), Canada Mortgage and Housing Corporation and Farm Credit Canada (FCC)—into the federal debt program.

In the second half of 2007–08, both BDC and FCC sought early access to funding from the Government of Canada due to difficult conditions in the credit markets resulting from the market turbulence. The Government accommodated their request for early funding in the amount of \$4.8 billion, in advance of the Crown borrowing program's official start date of April 21, 2008.



## Debt Strategy Framework

### Objectives and Principles

Management of Government of Canada funds encompasses issuance of market debt, management of liquidity and investment of financial assets. All funds management activities are conducted in view of overarching principles.

#### *Key Principles*

- **Efficiency and effectiveness:** Policy development and operations should take into account, to the extent possible, leading practices of other comparable sovereigns. Regular evaluations should be conducted to ensure the efficiency and effectiveness of the governance framework and of borrowing and investing programs.
- **Transparency and accountability:** Information on financial asset and liability management plans, activities and outcomes should be made publicly available in a timely manner. Borrowing costs, investment performance and material exposures to financial risk should be measured, monitored, controlled and regularly reported as applicable.

In addition, distinct objectives and principles have been established within the financial asset and liability management function that pertain to the management of domestic debt and cash, foreign reserves and retail debt.

#### *Debt Management Objectives*

The fundamental objective of domestic debt and cash management is to efficiently raise funding to meet the operational needs of the Government of Canada.

An associated objective is to maintain a well-functioning market in Government of Canada securities, which helps to keep debt costs low and benefits a wide array of domestic market participants.

#### *Debt Management Principles*

In pursuit of these objectives, the Government of Canada manages its activities according to a set of principles.

- **Transparency, regularity and liquidity:** The design and implementation of the domestic debt program should emphasize transparency, regularity and liquidity to support a well-functioning government securities market. The Government should consult regularly with market participants to ensure the integrity and attractiveness of the market for dealers and investors.
- **Prudence:** Prudence should be maintained by managing the structure of the debt, raising funds for domestic operational needs using a variety of instruments denominated in Canadian dollars, managing exposure to credit risk through diversification, and supporting a broad investor base.



## **Borrowing Authority**

Authority to borrow in financial markets is provided by Part IV of the Financial Administration Act (FAA), which authorizes the Minister of Finance to issue securities and undertake related activities, including entering into financial contracts and derivatives transactions.

Amendments were made to the FAA in 2007–08 to provide the Government with greater flexibility and control over its funds management activities. The amendments included requirements for greater transparency and enhanced disclosure regarding the Government's borrowing activities. To satisfy these new requirements, anticipated borrowing and planned uses of funds are now outlined in the *Debt Management Strategy*, while actual borrowing and uses of funds compared to those forecast are reported in Table 2 of this publication. Detailed information on outcomes is also provided in the *Public Accounts of Canada*.

## **Governance**

Responsibility for strategic planning and the operational management of the market debt and liquid assets, including the foreign exchange reserves, which are collectively termed “funds management,” is jointly borne by officials at the Department of Finance and the Bank of Canada. The Bank of Canada acts as fiscal agent for the Minister of Finance in issuing debt, investing funds and conducting other market operations.

The oversight of activity is carried out through the Funds Management Committee (FMC), which comprises senior management from the Department of Finance and the Bank of Canada. The FMC advises the Minister of Finance on policy and strategy, oversees the implementation of approved policy and plans, and reviews performance outcomes.

The FMC is supported by the Risk Committee (RC), whose mandate is to oversee and advise on the risk management policy and to report to the FMC on financial risk positions. The Financial Risk Office at the Bank of Canada provides analytical support to the RC in this role and is responsible for monitoring and regularly reporting on the financial performance and position of certain financial assets and foreign-currency-denominated derivatives, including market, credit, operational, liquidity and legal risks.

For additional details on the governance framework, see the *Funds Management Governance Framework* at [www.fin.gc.ca/treas/Goveev/TMGE\\_e.html](http://www.fin.gc.ca/treas/Goveev/TMGE_e.html).



## **Treasury Evaluation Program**

In order to inform future decision making and to support transparency and accountability, different aspects of the Government of Canada's treasury activities are reviewed periodically under the TEP. The program's purpose is to obtain periodic external assessments of the frameworks and processes used in the management of wholesale and retail market debt, cash and reserves as well as the treasury activities of other entities under the authority of the Minister of Finance (see Annex 1).

Reports on the findings of these evaluations and the Government's response to each evaluation are tabled with the House of Commons Standing Committee on Public Accounts by the Minister of Finance. Copies are also sent to the Auditor General of Canada. The reports are posted on the Department of Finance website. See Annex 1 for a list of the treasury evaluations performed since 1992.



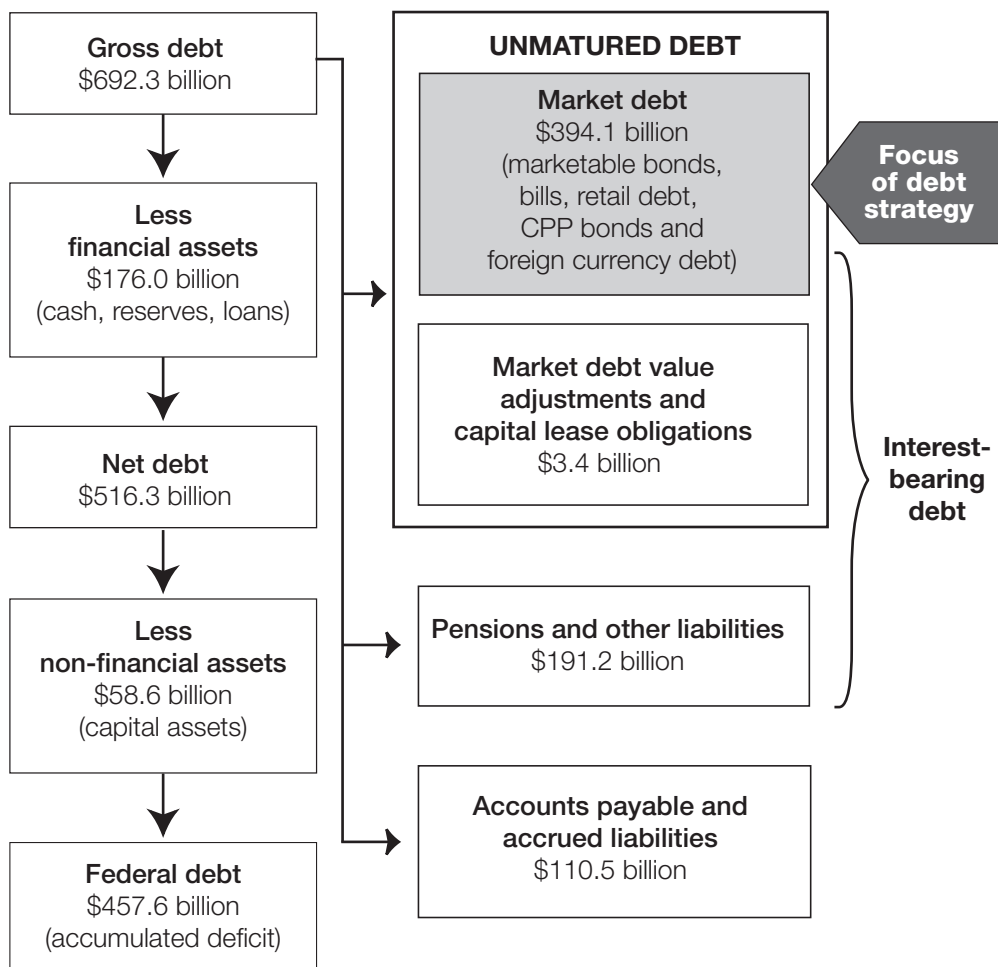
## Part I: 2007–2008 Debt Management Context

Since the annual debt-servicing cost represents a large part of total federal spending, effective management of the federal debt is important to all Canadians. This section provides an overview of the context within which debt management decisions were taken in 2007–08.

### Market Debt Context

The focus of debt strategy is on the management of market debt. The following diagram illustrates the relationship between market debt and the other components of the federal debt, based on the 2007–08 fiscal year.

#### Composition of the Federal Debt, at March 31, 2008



Note: Numbers may not add due to rounding.





There are two types of market debt: domestic debt, which is denominated in Canadian dollars, and foreign currency debt.

Funding in Canadian dollars is done through both wholesale and retail channels. Wholesale funding is conducted through issuance of marketable securities, which consist of nominal bonds, Real Return Bonds and treasury bills, including cash management bills. These securities are sold via auction. Retail funding is raised through sales of Canada Savings Bonds and Canada Premium Bonds to Canadian residents.

Foreign reserve assets, which are held in the Exchange Fund Account, are funded by cross-currency swaps of domestic obligations and foreign debt. A detailed description of Government of Canada market debt instruments is available at [www.fin.gc.ca/invest/instru-e.html](http://www.fin.gc.ca/invest/instru-e.html).

At March 31, 2008, market debt totalled \$394.1 billion (57 per cent of gross debt), compared to \$418.8 billion at March 31, 2007. This \$24.8-billion reduction was largely achieved through a lower stock of treasury bills. Table 1 presents the change in the composition of federal debt during the 2007–08 fiscal year.

**Table 1**  
*Change in the Composition of Federal Debt, 2007–08*

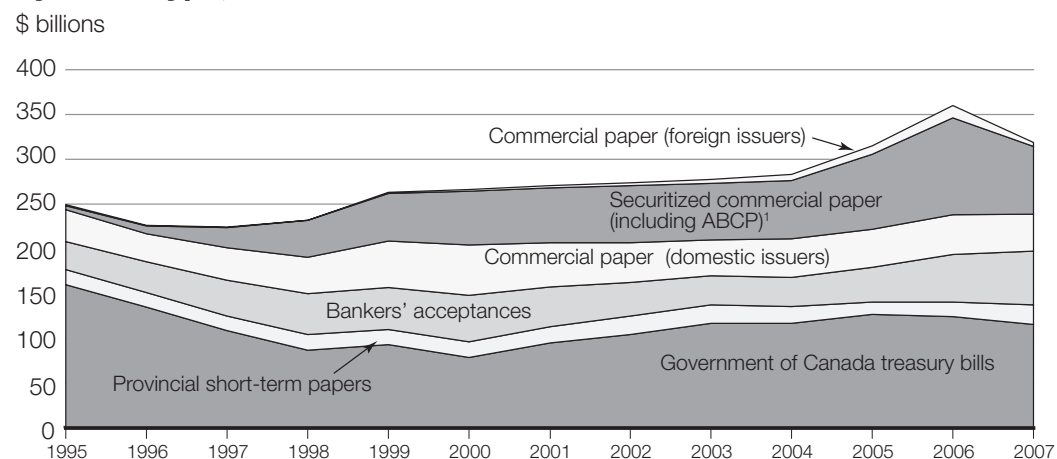
	March 31, 2007	March 31, 2008	Change
	(\$ billions)		
<b>Payable in Canadian currency</b>			
Marketable bonds	257.5	253.5	-3.9
Treasury and cash management bills	134.1	116.9	-17.1
Retail debt	15.2	13.1	-2.1
CPP bonds and notes	1.7	1.0	-0.7
<b>Total payable in Canadian currency</b>	<b>408.5</b>	<b>384.6</b>	<b>-23.9</b>
<b>Payable in foreign currencies</b>	<b>10.4</b>	<b>9.5</b>	<b>-0.9</b>
<b>Total market debt</b>	<b>418.8</b>	<b>394.1</b>	<b>-24.8</b>
Market debt value adjustment and capital lease obligations	-4.7	-3.4	1.3
<b>Total unmatured debt</b>	<b>414.2</b>	<b>390.7</b>	<b>-23.5</b>
Pension and other accounts	185.1	191.2	6.1
<b>Total interest-bearing debt</b>	<b>599.3</b>	<b>581.9</b>	<b>-17.4</b>
Accounts payable, accruals and allowances	106.5	110.5	4.0
<b>Gross debt</b>	<b>705.8</b>	<b>692.3</b>	<b>-13.4</b>
Total financial assets	-181.9	-176.0	5.8
Total non-financial assets	-56.6	-58.6	-2.0
<b>Federal debt (accumulated deficit)</b>	<b>467.3</b>	<b>457.6</b>	<b>-9.6</b>

Note: Numbers may not add due to rounding.



In 2007 the amount of securities outstanding in the Canadian short-term market (money market) declined by about 12 per cent compared to the previous year. While this decline was partly due to the reduction in the stock of treasury bills, it was mainly attributable to a sizable decrease in the amount of commercial paper outstanding, particularly asset-backed commercial paper (ABCP) (see Chart 1).

Chart 1  
**Amount of Domestic Short-Term Securities Outstanding  
by Issue Type, at December 31**



Note: Municipal short-term issuance since 1996 has been negligible.

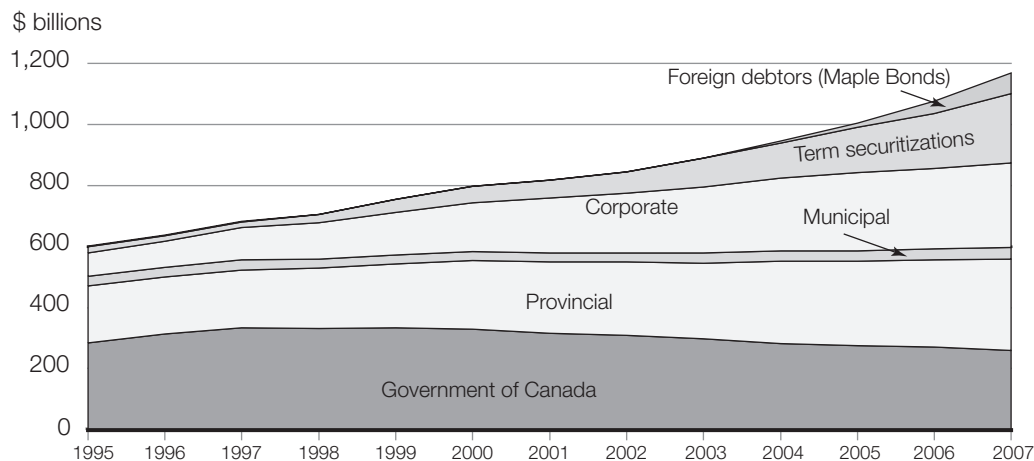
<sup>1</sup> 2007 figure excludes outstandings of approximately \$33.7 billion related to affected trusts under the Montreal Proposal.

Source: Bank of Canada, *Banking and Financial Statistics*, Table F2.

In contrast, the Canadian bond market expanded by about 8.7 per cent during the same period. The decline in the amount of Government of Canada bonds outstanding was more than offset by increases in other types of long-term securities. At December 31, 2007, Government of Canada bonds represented 22 per cent of total bonds outstanding, down from almost 50 per cent in 1996 (see Chart 2). In recent years, term securitizations have been the catalyst for growth in the Canadian bond market.



Chart 2  
**Amount of Domestic Bonds Outstanding by Issue Type,  
at December 31**



Source: Bank of Canada, *Banking and Financial Statistics*, Table K8.

## Financial Market Developments

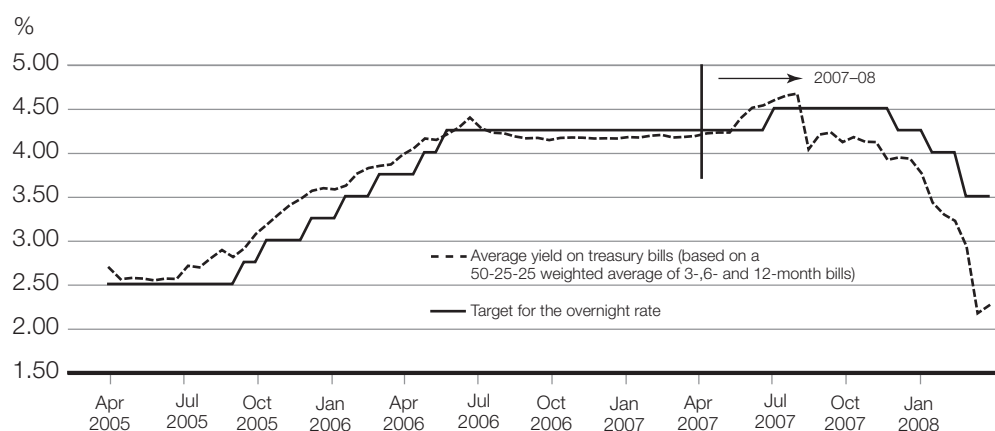
The global credit crisis that stemmed from sub-prime lending problems in the United States has dominated the period since the start of the second half of 2007–08. Defaults of sub-prime mortgages have created dire liquidity conditions for numerous large financial institutions, which face exposures, either directly or indirectly, to complex structured products, both globally and in Canada.

Concurrently, the turbulence in global financial markets drew attention to the need for transparency and appropriate disclosure, and highlighted financial stability as an overarching objective of financial sector policy and regulation. Central banks, including the Bank of Canada, have substantially increased their provision of liquidity to the financial system. The Government has taken a number of steps to ensure that the global turmoil does not hinder access to affordable credit for Canadian consumers, homebuyers and businesses.



The turbulence resulted in strong demand for safe, high-quality instruments, which was particularly apparent for short-term instruments, and resulted in an advantageous cost of funding for the Government. In fact, the high demand for treasury bills throughout most of 2007–08 led to yields that were often trading below the overnight rate (see Chart 3).

Chart 3  
**Average Yield on Treasury Bills Versus the Target for the Overnight Rate**



Source: Bank of Canada.



## Budgetary Outcomes

As a result of the strong performance of the Canadian economy, for the April 1, 2007 to March 31, 2008 period, the budgetary surplus was \$9.6 billion. Federal debt stood at \$457.6 billion at the end of 2007–08, down \$37 billion from the level at the end of 2005–06. The proportion of government revenue spent on debt service charges has been falling steadily (see Chart 4).

The key budgetary reference point for debt management is the financial source/requirement. This measure is affected not only by the budgetary balance but also by non-budgetary transactions.

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming into the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of \$9.6 billion and a source of \$4.9 billion from non-budgetary transactions, there was a financial source of \$14.5 billion in 2007–08, compared to a financial source of \$8.5 billion in 2006–07. For additional information, see the 2007–08 *Annual Financial Report of the Government of Canada* at [www.fin.gc.ca/purl/afr-e.html](http://www.fin.gc.ca/purl/afr-e.html).



## Sources and Uses of Borrowing

Borrowing authority is obtained from the Governor in Council through an Order in Council (OIC). The OIC on borrowing authority for the 2007–08 fiscal year specified that the maximum aggregate principal amount of money that the Minister of Finance was authorized to borrow was \$206 billion.<sup>1</sup> This amount is based on the debt strategy plan outlined in the 2007–08 *Debt Management Strategy*, plus a margin for flexibility as part of prudent debt management.

In 2007–08, the total amount of cash raised through borrowing activities was \$155 billion, below the \$206-billion threshold. Actual borrowing requirements were much lower than planned due to the financial source of \$14.5 billion in 2007–08, which included a source of \$9.6 billion from the budgetary balance and a source of \$4.9 billion from non-budgetary transactions involving pension and other accounts (see Table 2 for details). This allowed the Government to conduct more cash management bond buybacks and reduce the amount of treasury bills issued over the course of the year.

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<sup>1</sup> The OIC for 2007–08 can be viewed on the Privy Council Office website at [www.pco-bcp.gc.ca/oic-ddc.asp?lang=eng&Page=secretariats](http://www.pco-bcp.gc.ca/oic-ddc.asp?lang=eng&Page=secretariats), using reference number 2007-0376.



**Table 2**  
*Planned/Actual Sources and Uses of Borrowing, 2007–08<sup>1</sup>*

	Planned <sup>2</sup>	Actual	Difference
	(\$ billions)		
<b>Sources of Borrowings</b>			
Payable in Canadian currency			
Treasury bills	138	117	-21
Bonds	35	35	0
Retail debt	4	2	-2
Total payable in Canadian currency	177	154	-23
Payable in foreign currencies	7	1	-6
Total cash raised through borrowing activities	184	155	-29
<b>Uses of Borrowings<sup>3</sup></b>			
Refinancing needs			
Payable in Canadian currency			
Treasury bills	135	134	-1
Bonds	37	39	2
<i>Of which:</i>			
<i>Regular bond buybacks</i>	7	7	0
<i>Cash management bond buybacks</i>	6	11	5
Retail debt	4	4	0
Canada Pension Plan bonds and notes	1	1	0
Total payable in Canadian currency	177	178	1
Payable in foreign currencies	7	2	-5
Total refinancing needs	184	180	-4
Financial source/requirement			
Budgetary balance	-3	-10	-7
Non-budgetary transactions			
Pension and other accounts	-4	-6	-2
Non-financial assets	1	2	1
Loans, investments and advances	3	6	3
<i>Of which:</i>			
<i>Loans to Crown corporations</i>	0	5	5
Other transactions <sup>4</sup>	8	-7	-15
Total non-budgetary transactions	8	-5	-13
Total financial source/requirement	5	-15	-20
Total uses of borrowings	189	165	-24
<b>Net Increase or Decrease (-) in Cash</b>	-5	-9	-4

Note: Numbers may not add due to rounding.

<sup>1</sup> Certain categories have been reclassified to conform to the current year's presentation.

<sup>2</sup> Planned numbers are from Budget 2007 and *Debt Management Strategy 2007–08*.

<sup>3</sup> A negative sign denotes a financial source.

<sup>4</sup> Other transactions primarily comprise the conversion of accrual adjustments into cash, such as tax and other account receivables; provincial and territorial tax collection agreements; and tax payables and other liabilities.

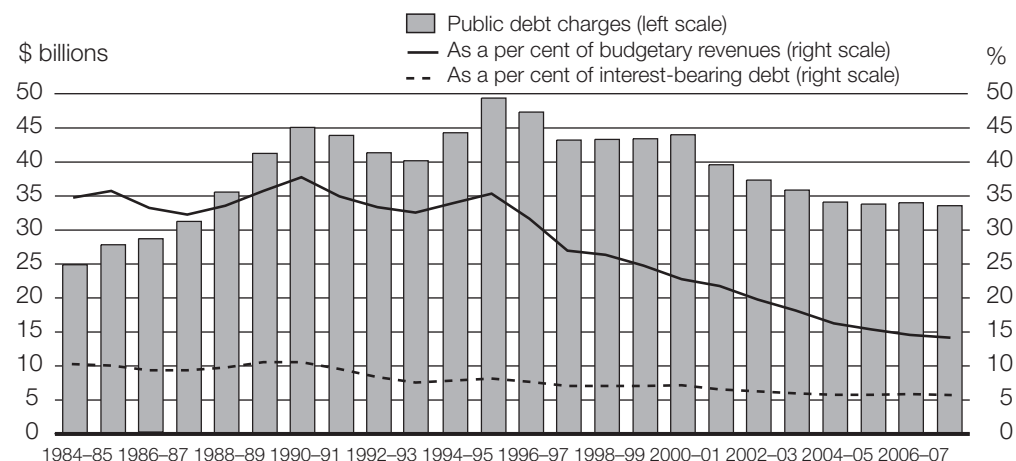


## Public Debt Charges

Public debt charges declined by \$0.6 billion to \$33.3 billion in 2007–08 as a result of lower debt levels and lower refinancing rates.<sup>2</sup> Public debt charges as a percentage of GDP declined to 2.2 per cent in 2007–08 from 2.3 per cent in 2006–07.

Public debt charges as a percentage of budgetary revenues have been decreasing in recent years, falling from the peak of 37.6 per cent in 1990–91 to 13.7 per cent in 2007–08. In other words, the Government spent just under 14 cents of every revenue dollar on interest payments on the public debt in 2007–08 (see Chart 4).

Chart 4  
**Public Debt Charges**



<sup>2</sup> Public debt charges include the interest on unmatured debt and on pensions, other employee and veteran future benefits and other liabilities, the amortization of premiums, discounts and commissions on unmatured debt, and the servicing costs and the costs of issuing new borrowings.



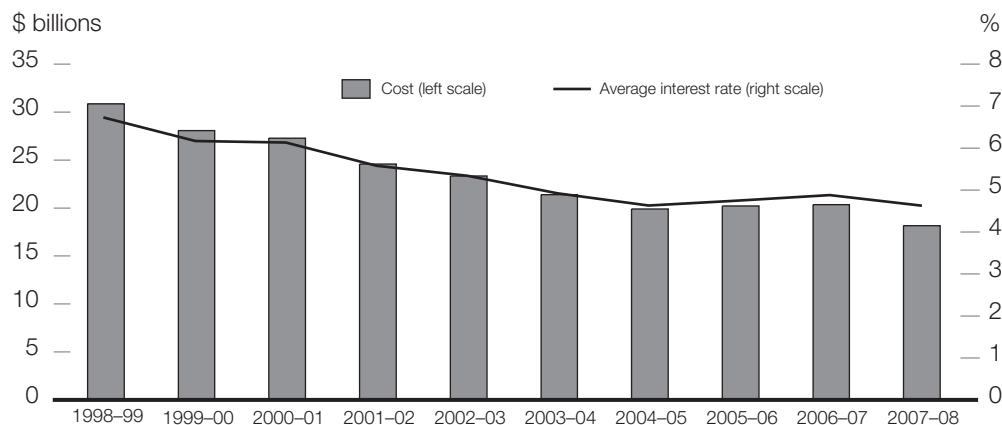


## Market Debt Costs

The cost of market debt fell from \$20.4 billion over the 2006–07 period to \$18.2 billion in 2007–08 as a result of falling market debt levels and a reduction in the average rate of interest on outstanding market debt. In 2007–08, market debt costs represented about 55 per cent of public debt charges.

The average rate of interest on outstanding market debt was 4.6 per cent in 2007–08, down from 4.9 per cent in 2006–07. This rate, which is a combination of the financing rates on debt issued in the past and of the rates obtained for debt issued over the current year, has been falling gradually over time, largely as a result of general reductions in market interest rates (see Chart 5).

Chart 5  
**Cost and Average Effective Interest Rate  
on Outstanding Market Debt**





## **Part II: 2007–2008 Debt Strategy**

The 2007–08 *Debt Management Strategy*, published in March 2007, set out an action plan for the management of the debt and cash balances for the 2007–08 fiscal year (for more information, see the 2007–08 *Debt Management Strategy* at [www.fin.gc.ca/toce/2007/dms07e.html](http://www.fin.gc.ca/toce/2007/dms07e.html)).

This section provides information on the achievement of the two principal debt management objectives for fiscal year 2007–08: raising funding efficiently and maintaining a well-functioning government securities market.

### **Raising Funding Efficiently**

Achieving the objective of raising funding efficiently involves managing the Government's exposure to changes in interest rates and their impact on borrowing costs. This section highlights the actions taken to manage interest rate risk.

#### **Debt Structure**

The Government's interest-bearing debt is made up of short- and long-term debt instruments. There is generally a trade-off between cost and risk in the selection of which length of terms to issue. While borrowing costs for longer-term instruments tend to be higher and remain fixed for a longer period of the loan, there is a reduced risk of having to refinance at higher interest rates. In contrast, borrowing costs of shorter-term instruments tend to be lower on average and are fixed for shorter periods, therefore increasing the risk of having to refinance the debt at higher interest rates. Under the debt strategy, striking a balance between fixed-rate (longer-term) and floating-rate (short-term) debt in the market debt structure is managed over time to keep debt-servicing costs stable and low.

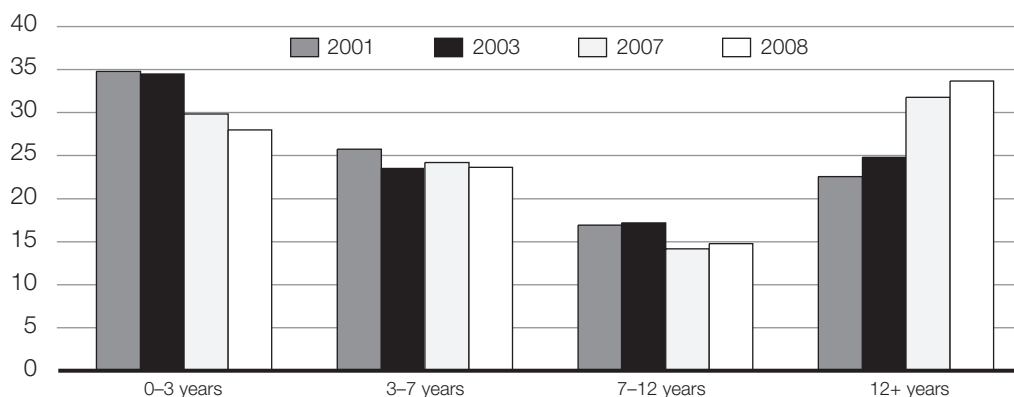
A well-distributed maturity profile ensures a controlled exposure to changes in interest rates over time and provides liquidity across different maturity sectors. In 2007–08, debt issuance continued to emphasize the distribution of borrowing across three treasury bill maturities (3-, 6- and 12-month) and five bond maturities (2-, 5-, 10- and 30-year nominal bonds and a 30-year Real Return Bond).

The maturity profile of outstanding Government of Canada bonds is well-distributed across each of the maturity sectors (see Chart 6). The increase in the stock of long-dated bonds is primarily due to increased issuance of Real Return Bonds and an increase in their inflation adjustment, as well as increased issuance of nominal 30-year bonds.



Chart 6  
**Maturity Profile of Outstanding Government of Canada Bonds,  
at March 31**

% of total outstanding



In the February 2003 budget, the Government announced its intention to reduce the fixed-rate share from two-thirds to 60 per cent by the end of 2007–08. The fixed-rate share measures the proportion of all government interest-bearing debt that does not mature or need to be re-priced within one year.

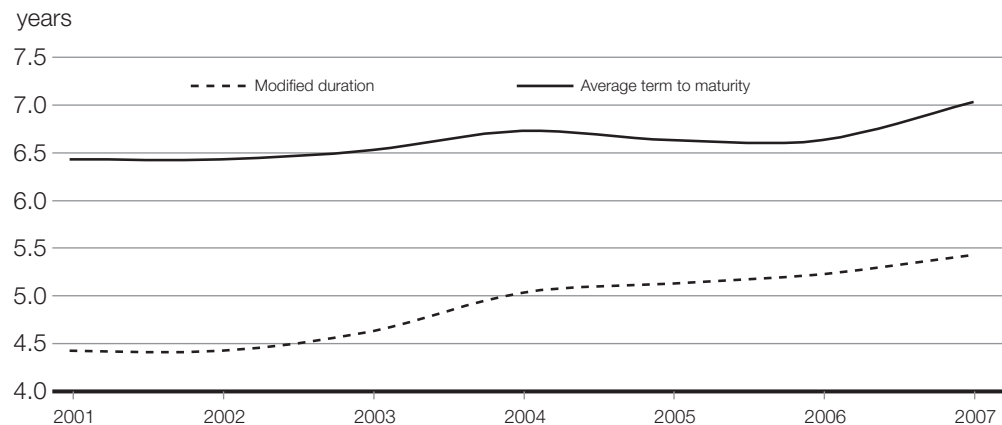
The fixed-rate share increased from 60.8 per cent to 62.6 per cent over the 2007–08 fiscal year. This increase reflects a decision to maintain the size of the bond program against the backdrop of a larger-than-expected financial source in 2007–08 in order to maintain a well-functioning Government of Canada bond market. During 2007–08, refinements were made to the calculation of the fixed-rate share of the debt to more appropriately reflect the Government's exposure to interest rate risk. The fixed-rate share is now calculated on a net basis rather than a gross basis by excluding components of the debt that are matched with financial assets of the same term, which therefore do not represent an exposure to interest rate risk. The federal liabilities netted out from the fixed-rate share calculation include liabilities funding the assets in the Exchange Fund Account; debt securities matched with corresponding loans to Crown corporations; Government of Canada debt securities held by the Bank of Canada; and the debt offset by Receiver General cash and deposit balances.

Due to the changes in the proportions of treasury bills and marketable bonds and the decision to raise issuance of long-term bonds, the modified duration and the average term to maturity of the Government's market debt portfolio have increased from their 2001 levels: the modified duration has increased by 1.0 year to 5.4 years, and the average term to maturity has increased by 0.6 years to 7.0 years, at December 31, 2007 (see Chart 7).<sup>3</sup>

<sup>3</sup> Modified duration measures the price sensitivity of a security or portfolio of fixed-income securities to changes in yields. Multiplying the modified duration of a security by the change in its yield gives the estimated percentage change in the price of the security. The average term to maturity is calculated by multiplying the remaining maturity on each instrument by its weight in the portfolio.



Chart 7  
**Modified Duration and Average Term to Maturity of  
Government of Canada Market Debt, at December 31**



Source: Bank of Canada.

### Holdings of Government of Canada Market Debt

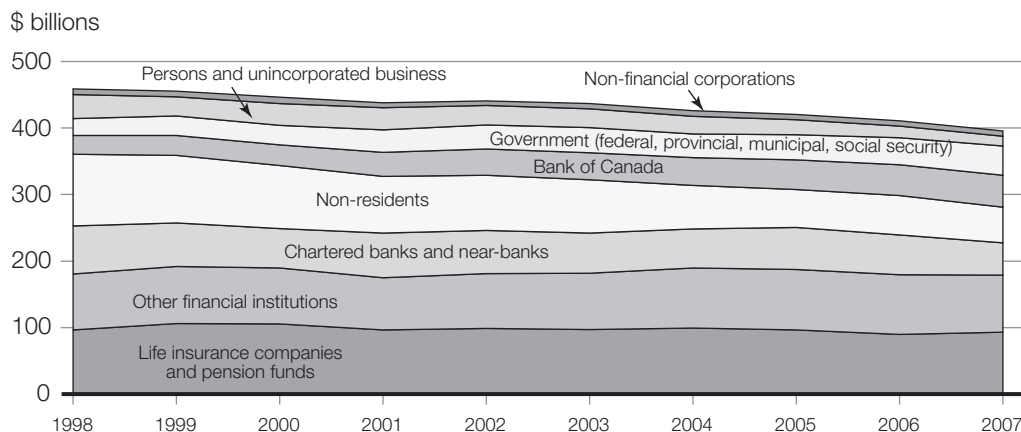
A diversified investor base supports an active secondary market for Government of Canada securities, thereby helping to keep funding costs low. Diversification of the investor base is pursued by maintaining a domestic wholesale debt program that is attractive to a wide range of investors, and offering a retail debt program that provides savings products that suit the needs of individual Canadians.

At December 31, 2007, based on Statistics Canada surveys, life insurance companies and pension funds accounted for the largest share of holdings of Government of Canada market debt securities (24 per cent). The next largest share was held by other financial institutions, which include investment dealers, mutual funds, and property and casualty insurance companies (22 per cent); followed by non-residents (14 per cent) and chartered banks and near-banks (12 per cent). Taken together, these four sectors held close to three-quarters of outstanding Government of Canada securities (see Chart 8).

With a decline of 10 percentage points from 1998 to 2007, the share of government marketable securities held by non-residents shows the most notable change (see Chart 8). Additional details on the distribution of Government of Canada market debt are available on the Statistics Canada website at [www.statcan.ca/english/nea-cen/index.htm](http://www.statcan.ca/english/nea-cen/index.htm).



Chart 8  
**Distribution of Holdings of Government of Canada  
Market Debt**



Note: Figures are at December 31, 2007.

Source: Statistics Canada, *National Balance Sheet Accounts*, which is based on data extracted from administrative files and derived from other Statistics Canada surveys.

## **Maintaining a Well-Functioning Government Securities Market**

A well-functioning wholesale market in Government of Canada securities is important as it benefits the Government as a borrower as well as a wide range of market participants. For the Government as a debt issuer, a well-functioning market attracts investors and contributes to keeping funding costs low and stable over time. For market participants, a liquid and transparent secondary market in government debt provides risk-free assets for investment portfolios, a pricing benchmark for other debt issues and derivatives, and a primary tool for hedging interest rate risk.

In 2007–08, the following actions were taken to promote liquidity in Government of Canada securities:

**Providing regular and transparent issuance:** The practice of pre-announcing quarterly bond auction schedules and the call for tenders was continued. As in recent years, there were regular auctions for 2-, 5- 10- and 30-year nominal bonds, as well as for 30-year Real Return Bonds. Regular and pre-announced issuance provided certainty for dealers and investors in terms of planning their investment activities and supported participation and competitive bidding at auctions for securities.



**Maintaining benchmark target sizes:** The 2-, 5-, 10- and 30-year new building benchmark target sizes were unchanged from the previous year (2-year bonds: \$7 billion to \$10 billion; 5-year bonds: \$9 billion to \$12 billion; 10-year bonds: \$10 billion to \$14 billion; and 30-year bonds: \$12 billion to \$15 billion). All non-fungible benchmarks built in 2007–08 were within their target ranges.<sup>4</sup> The benchmark size for bonds issued in 2007–08 that were fungible with the existing bonds was deemed attained once the total amount of outstanding bonds for that maturity date exceeded the minimum benchmark size.

**Using the regular bond buyback program:** Against the backdrop of debt paydown in recent years, use of the regular bond buyback program on both a switch and cash basis to repurchase less liquid off-the-run bonds with between 18 months and 25 years to maturity has helped maintain gross bond issuance and benchmark bond sizes at higher levels than would have been possible without the buyback program.<sup>5</sup>

**Consulting with market participants:** Consultations with market participants are held annually in order to obtain participants' views on the liquidity and efficiency of the Government of Canada securities market. In addition, market participants' views are requested on certain operational aspects of domestic debt programs. The main messages received during the consultations held in November 2007 were that the Government of Canada securities market is functioning well, despite recent turbulence in the financial markets, and is adapting to an environment of declining borrowing needs.<sup>6</sup>

**Consolidating the borrowings of Crown corporations:** Consolidating the borrowings of the Business Development Bank of Canada (BDC), Canada Mortgage and Housing Corporation and Farm Credit Canada (FCC) into the federal debt program, as announced in Budget 2007, has reduced overall borrowing costs for these Crown corporations and enhanced the liquidity of the Government of Canada debt program. In 2007–08, as a result of market conditions, both BDC and FCC accessed \$4.8 billion in advance funding from the Government of Canada. Early access to funding provided a means of partially mitigating market pressures arising from the credit market turbulence and allowed the testing of procedures and operations in anticipation of the official launch of the Crown borrowing program in April 2008.

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<sup>4</sup> Non-fungible securities do not share the same maturity dates with outstanding bond issues.

<sup>5</sup> Buybacks on a switch basis involve the exchange of less-liquid bonds for liquid benchmark bonds.

<sup>6</sup> More details on the subjects of discussion and the views expressed during the consultations can be found at [www.bankofcanada.ca/en/notices\\_fmd/index.html](http://www.bankofcanada.ca/en/notices_fmd/index.html).



**Supporting broad participation in Government of Canada operations:** Active participation in auction and buyback operations by a diverse group of market participants helps achieve the key objective of raising funding efficiently. Initiatives such as lower turnaround times have enhanced the efficiency of the auction and buyback process and encourage participation by reducing the market risk for participants. Turnaround times have fallen significantly in recent years, from an average of 45 minutes in 1997–98, to an average of under 2 minutes for treasury bill and bond auctions and an average of close to 3 minutes for buyback operations in 2007–08.<sup>7</sup>

**Supporting government securities distributors:** To maintain a well-functioning securities distribution system, government securities auctions are monitored to ensure that government securities distributors abide with the terms and conditions.<sup>8</sup> In recognition of the difficulties that primary dealers may face during periods of strong demand for Real Return Bonds, the minimum bidding obligation was modified for Real Return Bond auctions. The initiative was implemented to help ensure obligations were met by the primary dealers and to ensure the auction cleared at a price indicative of the demand at the auction for Real Return Bonds. This initiative came into effect in February 2008 in the form of a trial period that will end on March 31, 2009.

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<sup>7</sup> The Bank of Canada targets an average turnaround time of less than 3 minutes for auctions and less than 5 minutes for buyback operations. Maximum turnaround times are 5 minutes for auctions and 10 minutes for buyback operations.

<sup>8</sup> The terms and conditions of auctions are available at [www.bank-banque-canada.ca/en/markets/markets\\_auct.html](http://www.bank-banque-canada.ca/en/markets/markets_auct.html).



## **Part III: Report on the 2007–2008 Debt Program**

Part III reports on the outcomes of the domestic debt and foreign debt programs used to finance market debt. It also reviews measures of liquidity and efficiency in the secondary market for Government of Canada securities.

Details of the domestic debt program and auction results are presented first, followed by details of cash management activities and Receiver General auction results. Part III concludes with an overview of secondary market indicators and a brief description of Canada's foreign currency debt programs.

The outcomes of funds management activities are typically the product of many factors. As a result, measures only serve as useful metrics to help interpret and understand the results and context of funds management initiatives.

### **Domestic Debt Program**

The domestic debt program consists of the issuance of three treasury bill maturities (3-, 6- and 12-month), cash management bills, and five bond maturities (2-, 5-, 10- and 30-year nominal bonds and a 30-year Real Return Bond), a bond buyback program, and two retail debt products (Canada Savings Bonds and Canada Premium Bonds).

As the Government's fiscal agent, the Bank of Canada distributes Government of Canada marketable bills and bonds through auction to government securities distributors (GSDs) and customers. GSDs that maintain a certain threshold of activity in the primary and secondary market for Government of Canada securities may apply to become primary dealers, which form the core group of distributors for Government of Canada securities.

In 2007–08, treasury bill and bond auctions continued to be covered and well bid. While the credit market turbulence that began in August 2007 had no major impact on bond auctions, treasury bill auctions were affected by higher yield volatility and stronger demand.

The secondary market for Government of Canada securities continues to exhibit trading volumes and turnover ratios that compare favourably to previous years and to those of other countries.

### **Program Activity**

#### ***Marketable Bonds***

Gross marketable bond issuance in 2007–08 was \$34.3 billion (including issuance through switch buybacks), about \$1 billion higher than the \$33.4 billion issued in 2006–07, and was in line with the 2007–08 *Debt Management Strategy*. This gross issuance consisted of \$32.0 billion in nominal bonds, including \$2.5 billion in switch operations, and \$2.3 billion in Real Return Bonds (see Table 3). Taking into account gross issuance, buybacks and maturities, the stock of outstanding marketable bonds declined by \$3.9 billion during the fiscal year to \$253.5 billion at March 31, 2008.





The gross nominal bond issuance of \$32.0 billion consisted of \$11.7 billion in 2-year bonds, \$6.3 billion in 5-year bonds, \$10.7 billion in 10-year bonds and \$3.4 billion in 30-year bonds. In 2007–08, the amount of nominal bonds outstanding decreased by \$6.7 billion to \$224.2 billion.

The level of outstanding Real Return Bonds increased from \$26.5 billion to \$29.4 billion at March 31, 2008, as a result of increased issuance (\$2.25 billion) and a Consumer Price Index adjustment of \$0.57 billion for 2007–08.

**Table 3**  
*Annual Bond Program Operations*

	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	(\$ billions)					
Nominal	36.4	33.9	30.8	27.9	27.3	29.5
Nominal (switch)	5.9	5.5	4.7	4.5	4.5	2.5
Real Return Bonds	1.4	1.4	1.4	1.5	1.6	2.3
Total gross issuance	43.7	40.8	36.9	33.9	33.4	34.3
Cash buyback	-7.1	-5.2	-6.8	-5.3	-5.1	-4.3
Switch buyback	-5.0	-5.0	-4.7	-3.3	-4.7	-2.4
Total buybacks	-12.1	-10.2	-11.4	-8.6	-9.8	-6.7
Net Issuance	31.6	30.7	25.5	25.3	23.6	27.6

Note: Numbers may not add due to rounding.

Source: Bank of Canada.

As a result of actions taken to promote liquidity in Government of Canada securities, there are now fewer small, illiquid high coupon bonds and more large and liquid benchmarks compared to 2000. From 2000 to 2008, the number of individual bonds outstanding was reduced from 71 to 49, while the average size per maturity date increased from \$5.0 billion to \$6.1 billion (see Table 4).

**Table 4***Impact of Debt Management Activities on Profile of Outstanding Bonds*

	Nominal Bonds		Real Return Bonds		Total	
	2000	2008	2000	2008	2000	2008
Total bonds outstanding (\$ billions)	281.3	224.4	13.1	24.3	294.4	248.7
Average size per maturity date (\$ billions)	5.0	6.6	4.0	4.5	5.0	6.1
Number of bonds outstanding	68	43	3	5	71	49
Number of maturity dates	56	33	3	5	59	41
Weighted average coupon rate (%)	7.52	5.32	4.22	3.8	—	—

Sources: Bank of Canada and *Public Accounts of Canada*.***Bond Buyback Program***

The objectives of the bond buyback program are to maintain new issuance and enhance liquidity in the primary market for Government of Canada bonds. Buyback operations, which are performed on a cash and switch basis, accomplish this objective by helping to increase benchmark sizes in the face of declining borrowing requirements.

Bond buyback operations on a cash basis involve the purchase of bonds with a remaining term to maturity of 18 months to 25 years. These operations totalled \$4.3 billion in 2007–08, consisting of roughly \$1.4 billion in the 2-year sector, \$1.0 billion in the 5-year sector, \$1.3 billion in the 10-year sector and \$0.5 billion in the 30-year sector.

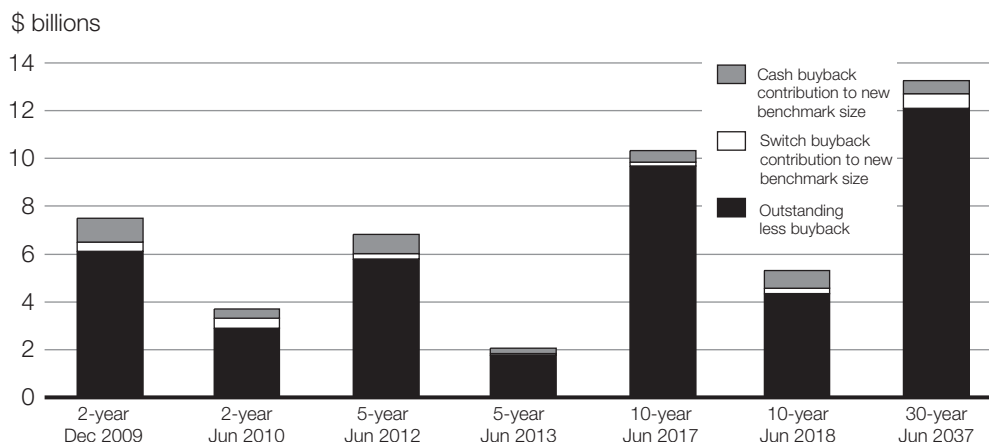
Bond buyback operations on a switch basis involve the exchange, on a duration-neutral basis, of less-liquid bonds with a remaining term to maturity of 18 months to 25 years for liquid benchmark bonds.<sup>9</sup> In 2007–08, bonds repurchased on a switch basis totalled \$2.4 billion.

In total, bond buyback operations amounted to \$6.7 billion in 2007–08. Chart 9 shows the impact that bond buybacks on a cash and switch basis had on benchmark sizes in 2007–08.

<sup>9</sup> The amount of new bonds issued through buybacks on a switch basis does not necessarily equal the amount of old bonds bought back through those operations because the exchange is not based on par value but rather on a duration-neutral equivalent basis.



Chart 9  
**Impact of Regular Buyback Program  
on Benchmark Sizes, at March 31, 2008**

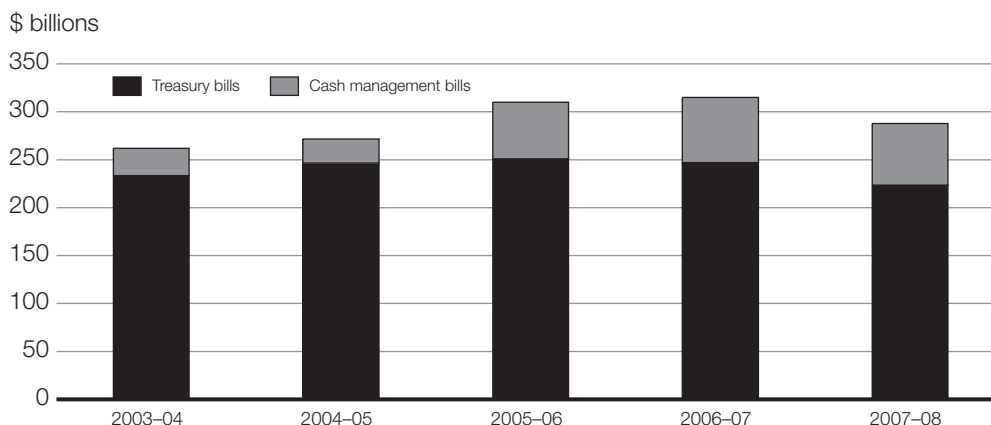


Source: Bank of Canada.

### *Treasury Bills and Cash Management Bills*

The stock of outstanding treasury and cash management bills decreased by \$17.1 billion during 2007–08 to \$116.9 billion at March 31, 2008. Over the fiscal year, \$287.9 billion in bills were auctioned, a decrease of \$27.1 billion from the previous year (see Chart 10). Throughout the year, \$64.4 billion in cash management bills were issued for various short-term maturities. More frequent use of these short-term securities, as a cost-effective cash management tool, helped smooth fluctuations in cash balances over the year.

Chart 10  
**Treasury Bill and Cash Management Bill Program Issuance**



Source: Bank of Canada.

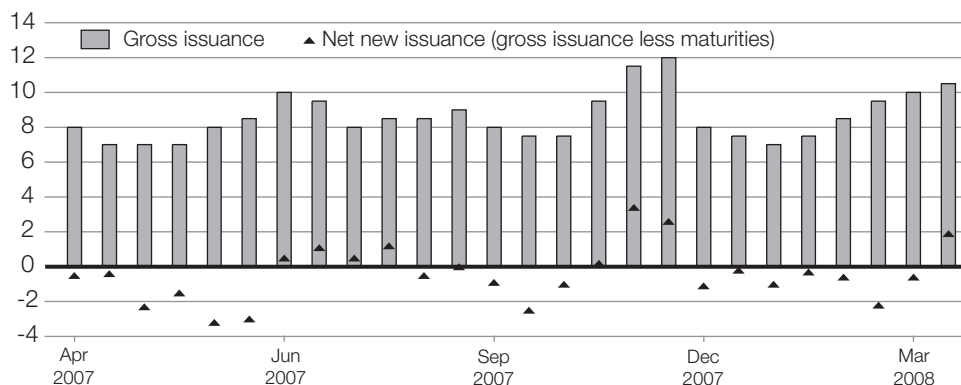


The profile of treasury bill operations continued to be smooth in 2007–08, with net new issuance ranging from -\$3 billion to +\$3 billion per operation, with a standard deviation of \$1.6 billion (see Chart 11). Smooth profiles provide increased certainty of supply for market participants and help reduce the cost of funding.

Chart 11

**Gross and Net Issuance at Treasury Bill Auctions**

\$ billions





**Table 5**  
*Retail Debt Gross Sales and Redemptions, 2007–08*

	Gross Sales	Redemptions	Net Change
	(\$ billions)		
Payroll	1.6	1.4	0.2
Cash	0.3	2.6	-2.3
Total	1.9	4.0	-2.1

Source: Bank of Canada.

**Chart 12**  
**Evolution of the Retail Debt Stock**



### Auction Result Indicators for the Domestic Debt Program

The two conventional measures used to gauge auction performance are the auction coverage and tail. These two measures, combined with the yield at issue, describe the quality of an auction in terms of its competitiveness and its impact on the cost of borrowing.

The auction coverage is defined as the total amount of bids received divided by the amount auctioned. A higher auction coverage level typically reflects strong demand and therefore should result in a lower average auction yield. Under the Terms of Participation in Auctions for Government Securities Distributors covering government auctions, a primary dealer's bids, and bids from its customers, must total a minimum of 50 per cent of its auction limit or 50 per cent of its formula calculation, rounded upward to the nearest percentage point, whichever is less. In addition, the minimum level of bidding must be at a reasonable price. Assuming that all primary dealers bid at their maximum bidding obligation, the coverage ratios for primary dealers could reach about 2.5 for bill auctions and 2.67 for bond auctions. Similarly, if all primary dealers only bid at their minimum bidding obligation, the coverage ratios would be about 1.25 for bill auctions and 1.34 for bond auctions.



The auction tail represents the number of basis points between the highest yield accepted and the average yield. A small auction tail is preferable as it usually indicates strong demand, which should result in lower borrowing costs.

### *Marketable Bonds*

The coverage ratios and tails for the 14 nominal bond auctions conducted in 2007–08 were generally in line with the 4-year average (see Table 6).

Real Return Bonds had a higher coverage than in previous years. Strong investor demand from institutions that hold Real Return Bonds to maturity for asset-liability management purposes resulted in strong active customer participation at auctions.<sup>10</sup>

**Table 6**  
*Performance at Bond Auctions*

		Nominal				Real Return Bonds
		2-year	5-year	10-year	30-year	30-year
Tail	2007–08	0.45	0.29	0.41	0.32	n.a.
	4-year average	0.33	0.33	0.34	0.38	n.a.
Coverage	2007–08	2.54	2.56	2.45	2.51	2.92
	4-year average	2.51	2.63	2.50	2.51	2.74

Source: Bank of Canada.

### *Treasury Bills and Cash Management Bills*

In 2007–08, there were 26 treasury bill and 65 cash management auctions, all of which were fully covered. The coverage ratios for treasury bill auctions in 2007–08 were sharply higher than the 4-year average as a result of heightened demand for liquid, low-risk and short-term instruments due to market conditions in 2007–08 (see Table 7). As a consequence of the high demand, treasury bill yields have been trading below the target for the overnight rate since August 2007 (see Chart 3 in Part I). However, increased volatility in the short-term securities market resulted in considerably wider tails for treasury bill and cash management bill auctions.

<sup>10</sup>Tails are not calculated for Real Return Bond auctions since successful bidders will be allotted bonds at the single-price equivalent of the highest real yield (single-price auction type) of accepted competitive bids (Section 6 of the Standard Terms for Auctions of Government of Canada Real Return Bonds).

**Table 7***Performance at Treasury Bill and Cash Management Bill Auctions*

		3-month	6-month	12-month	Cash Management Bills
Tail	2007–08	1.00	1.06	1.06	9.38
	4-year average	0.57	0.68	0.70	3.91
Coverage	2007–08	2.26	2.24	2.26	2.33
	4-year average	2.20	2.18	2.12	2.50

Source: Bank of Canada.

**Participation at Domestic Debt Auctions**

In 2007–08, primary dealers were allotted over 88 per cent of auctioned short-term and nominal debt securities, while other GSDs and customers were allotted under 11 per cent.<sup>11</sup> The 10 most active participants won over 89 per cent of these auctioned nominal debt securities (see Table 8). Primary dealers' share of the Real Return Bond allotments was about 54 per cent, with customers receiving close to the remaining 46 per cent of the allotments.

**Table 8***Share of Amount Allotted to Participants by Type of Auction, 2007–08*

Participant Type	CMBs	Treasury Bills	Nominal Bonds	Real Return Bonds
		(%)		
Primary dealers	96.6	88.5	95.3	53.6
Other GSDs	0.0	0.8	0.7	0.5
Customers	3.4	10.8	4.0	45.8
Top 5 participants	77.0	67.7	66.6	58.9
Top 10 participants	96.6	92.6	89.3	75.9

Notes: These numbers exclude securities bought by the Bank of Canada. Numbers may not add due to rounding.

Source: Bank of Canada.

<sup>11</sup>A customer is a bidder on whose behalf a government securities distributor has been directed to submit a competitive or non-competitive bid for a specified amount of securities at a specific price.



## Cash Management

Receiver General (RG) cash balances, the Government of Canada's Canadian-dollar balances, are invested in a prudent cost-effective manner through auctions with private sector financial institutions. Since February 1999, when Canada's electronic funds transfer system, the Large Value Transfer System was implemented, RG cash balances have been allocated to bidders twice daily through an auction process administered by the Bank of Canada. These auctions serve two main purposes: first, as a treasury management tool, they are the means by which the Government invests its short-term Canadian-dollar cash balances; second, the auctions are used by the Bank of Canada in its monetary policy implementation to neutralize the impact of public sector flows on the financial system.

A portion of the morning auction has been offered on a collateralized basis since September 2002, permitting access to a wider group of potential participants, while ensuring that the Government's credit exposure is effectively mitigated.

The Government's treasury managers use a number of indicators to monitor the performance of cash management activities, including the average level of cash balances, the coverage and tail at RG auctions, the distribution of participants at RG auctions, the effectiveness of the cash management bond buyback program, the cost of carry, and the profile of treasury bill operations.

### Total Receiver General Cash Balances

RG cash balances fluctuate widely over the year for a variety of reasons. In 2007–08 they reached a peak of \$19.8 billion and a low of \$1 billion. Cash balances tend to be at their highest during the months of March, April, May and November in anticipation of the large flows related to fiscal year-end and to cover large bond coupon and principal outflows on June 1 and December 1.

### Average Daily Cash Balances

Average daily cash balances in 2007–08 were \$5.4 billion, a level slightly lower than 2006–07 (see Table 9). Since 2005–06, more frequent use of cash management bills as a cash management tool has meant that cash balances can be built up quickly and closer to redemption and coupon payment dates. This results in lower average daily RG balances.

**Table 9**

*Average Daily Receiver General Cash Balances Held at Financial Institutions*

	2004–05	2005–06	2006–07	2007–08
	(\$ billions)			
Average daily cash balances	8.2	5.6	5.7	5.4

Source: Bank of Canada.

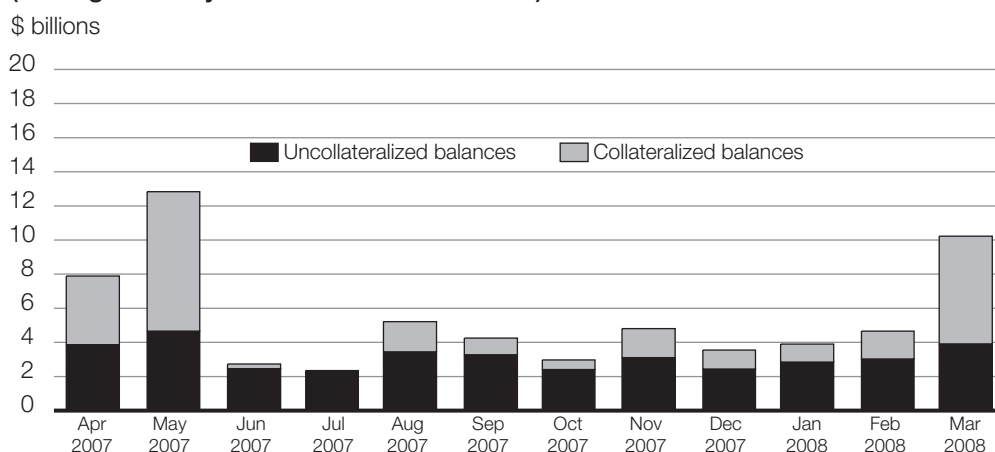




Collateral arrangements were introduced in 2002 to mitigate the credit risk related to the deposit of cash balances with counterparties. Participants with approval for uncollateralized bidding limits maximize their uncollateralized lines prior to using their collateralized lines. Generally, at least 20 per cent of the balances are collateralized; however, in months of high balances, the proportion of collateralized balances can exceed 70 per cent (see Chart 13).

Chart 13

**Receiver General Auctions of Cash Balances  
Allocation Between Collateralized  
and Uncollateralized Tranches  
(Average of Daily Balances for Each Month)**



Source: Bank of Canada.

**Cash Management Bond Buyback Program**

The cash management bond buyback (CMBB) program helps manage cash requirements by reducing the high levels of cash balances needed for key maturity payment dates. The program also helps smooth variations in treasury bill auction sizes over the year.

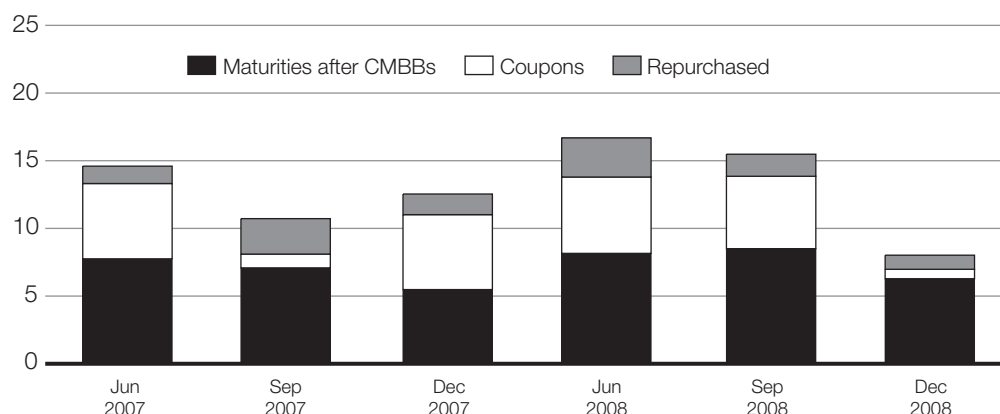
In 2007–08, the total amount of bonds repurchased through the CMBB program was \$11 billion, compared to \$8.22 billion in 2006–07. The CMBB program in 2006–07 and 2007–08 reduced the size of the 2007 June 1, September 1 and December 1 bond maturities by about 31 per cent, from a total of \$29.4 billion outstanding at the beginning of 2006–07 to \$20.3 billion outstanding after CMBB operations in 2007–08 (see Chart 14).



Chart 14

**Impact of CMBB Operations on Large Payments,  
at March 31, 2008**

\$ billions



Note: June, September and December 2008 maturities continued to be part of the CMBB program in the 2008–09 fiscal year. Coupon payments for September and December 2008 are estimates.

Source: Bank of Canada.

**Cost of Carry**

A key measure of the cost to the Government of maintaining cash balances is the net return on these cash balances: the difference between the return on government balances auctioned to financial institutions (typically around the overnight rate) and the average yield paid on treasury bills. A normal upward sloping yield curve results in a positive cost of carry, as financial institutions pay rates of interest for government deposits based on an overnight rate that is lower than the rate paid by the Government to borrow funds. Conversely, under an inverted yield curve, short-term deposit rates are higher than the average of 3- to 12-month treasury bill rates, which can result in a net gain for the Government.

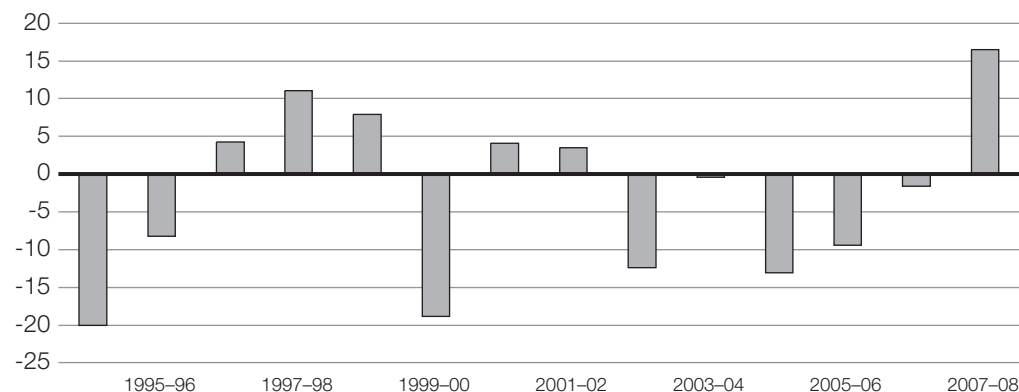
In 2007–08 the Government experienced a gain of \$16.5 million in carrying cash, compared to a net cost of \$1.6 million in 2006–07 (see Chart 15). The gain in 2007–08 is attributable to favourable market conditions where yields on treasury bills often traded below the overnight rate (see Chart 3 in Part I).



Chart 15

### Cost (-) or Gain (+) of Carry for Cash Balances

\$ millions



Source: Bank of Canada.

### Auction Result Indicators for RG Cash Balances

In 2007–08, coverage for the morning RG auction was lower than the rolling four-year average (see Table 10). Coverage for the afternoon RG auction declined from 2.17 in 2006–07 to 2.04 in 2007–08. Nevertheless, auctions encountered no demand issues, and the average financing rate was lower than the average auction rate (see the section entitled “Cost of Carry” for more details).

The lower coverage and wider tails for the afternoon auction compared to the morning auction reflect the lower number of eligible participants for the afternoon auction. In addition, many participants have already completed their daily funding requirements by the afternoon auction.

(For descriptions of the coverage and tail, see the section entitled “Auction Result Indicators for the Domestic Debt Program”)

**Table 10**

*Performance at Receiver General Auctions*

	2007–08	4-Yr. Avg.
Morning auctions		
Coverage (ratio)	3.43	3.90
Tail (basis points)	2.18	1.67
Afternoon auctions		
Coverage (ratio)	2.04	2.23
Tail (basis points)	3.19	3.11

Source: Bank of Canada.

## Participation at RG Auctions

The top 10 participants in the Large Value Transfer System (LVTS) won about 69 per cent of RG auctions on average in 2007–08, while the non-LVTS participants won about 29.8 per cent of the amount allotted (see Table 11).

**Table 11**

*Receiver General Auctions Share of Amount Allotted  
Between LVTS and Non-LVTS Participants*

Participant Type	2004–05	2005–06	2006–07	2007–08
		(%)		
Top 10 LVTS	74.3	79.9	81.2	69.0
Top 10 Others	24.3	17.8	17.6	29.8

## Secondary Market

A continuing challenge for the Government's debt strategy in recent years has been to maintain sufficient issuance of Government of Canada bonds to support a liquid and efficient secondary market in a declining debt environment. The Government is also continuing to encourage proper conduct of market participants.

### Code of Conduct for the Domestic Debt Market

The liquidity of the domestic debt market is a function of program design and public confidence in its integrity. The Investment Industry Regulatory Organization of Canada Rule 2800, *Code of Conduct for Corporation Dealer Member Firms Trading in Wholesale Domestic Debt Markets*, originally introduced in 1998 by the *Investment Dealers Association* (a predecessor organization) and updated in 2008, was developed jointly with the Bank of Canada and the Department of Finance, and is the formal code of conduct for dealing practices in wholesale domestic debt markets.

Ongoing vigilance by the Government and the Bank of Canada helps to maintain the integrity of trading in Canadian fixed-income securities, thereby encouraging liquidity and efficiency, promoting public confidence, and supporting the maintenance of active Government of Canada securities trading and lending.

### Trading Volume and Turnover Ratio

The two conventional measures of liquidity and efficiency in the secondary market for Government of Canada securities are trading volume and turnover ratio.



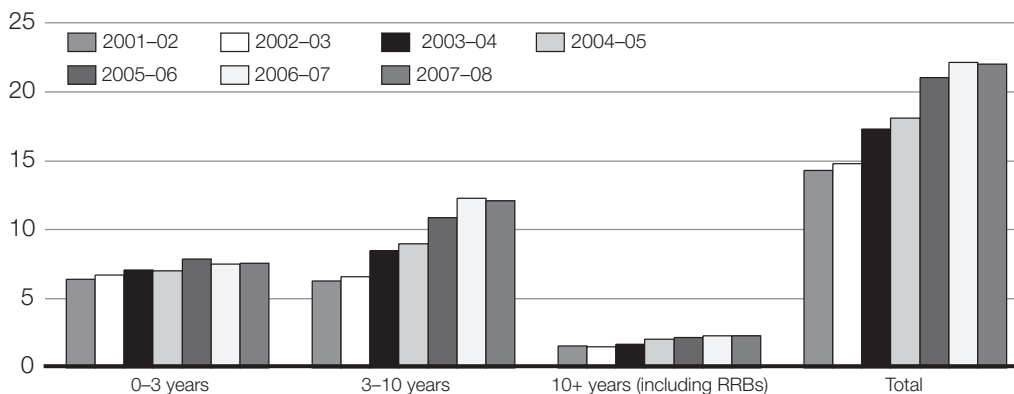
Trading volume represents the amount of securities traded per period. Large trading volume typically allows participants to buy or sell in the marketplace without a substantial change in the price of the securities and in general implies lower bid-offer spreads. Turnover ratio, which is the ratio of securities traded relative to the amount of securities outstanding, is a measure of market depth and efficiency. High turnover implies that a large amount of securities changes hands over a given period of time, a hallmark of a liquid and efficient securities market.

The volume of transactions in the Government of Canada bond market has grown significantly since 1990. Average daily bond trading volume hit \$22.1 billion in 2007–08, an increase of 49 per cent since 2001–02 (see Chart 16).

Chart 16

### Government of Canada Bond Average Daily Trading Volumes

\$ billions

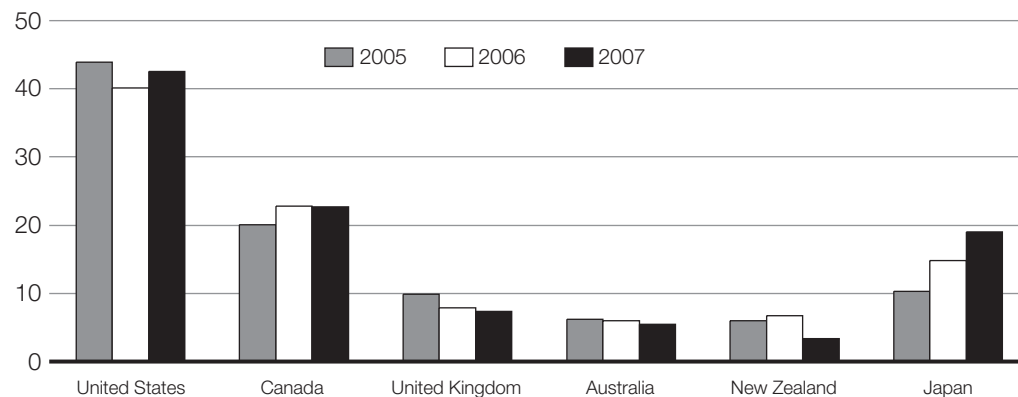


Source: Bank of Canada.

With an annual debt stock turnover ratio trending upward to 22.6 in 2007, the Government of Canada bond market compares favourably with other major sovereign bond markets (see Chart 17).



Chart 17  
**Sovereign Bond Turnover Ratios**



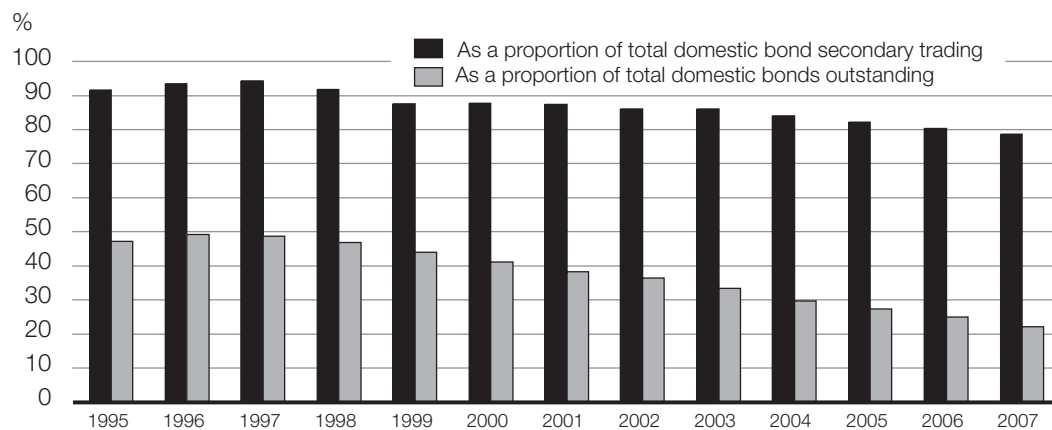
Note: Turnover ratio is total trading volume in each year/average stock.

Sources: The Bureau of the Public Debt (of the U.S.); Federal Reserve Bank of New York; Bank of Canada; United Kingdom Debt Management Office; London Stock Exchange; *Australian Financial Markets Report*; Reserve Bank of New Zealand; Japan Ministry of Finance; and Japan Securities Dealer Association.

### Share of Domestic Debt in the Secondary Market

While the share of government bonds as a proportion of total domestic bonds outstanding declined from 47 per cent in 1995 to under 22 per cent in 2007, government bonds accounted for just under 80 per cent of total domestic bond secondary trading volume in 2007 (see Chart 18).

Chart 18  
**Share of Government of Canada Bonds in the Domestic Market, at December 31**



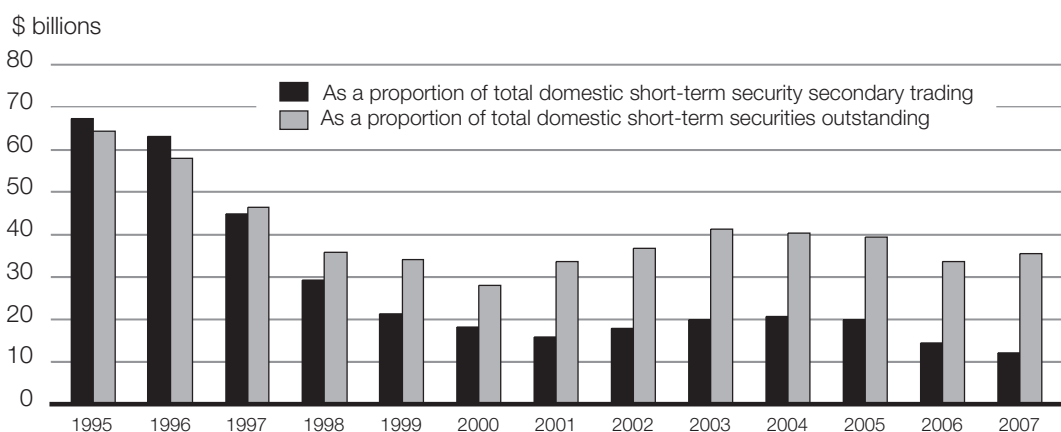
Source: Bank of Canada, *Banking and Financial Statistics*.



The share of treasury bills as a proportion of total short-term securities outstanding declined from 64 per cent in 1995 to 35 per cent in 2007. The share of treasury bills as a proportion of total short-term securities trading in the secondary market has decreased more significantly than has been seen for bonds, plummeting from 67 per cent in 1995 to 12 per cent in 2007 (see Chart 19).

Chart 19

### Share of Government of Canada Treasury Bills in the Domestic Market, at December 31



Source: Bank of Canada, *Banking and Financial Statistics*.

### Repo Markets

A repo, or repurchase agreement, is a transaction in which a party sells a security and simultaneously agrees to repurchase it at a given price at a given time in the future. These transactions provide short-term financing or support to dealer inventories and are equivalent to collateralized loans. The presence of liquid repo markets for Government of Canada treasury bills and nominal bonds complements and enhances the efficiency of the domestic fixed-income securities market.

Government of Canada bond repo markets remained very active in 2007–08, with total trading volume stable at \$26.6 billion compared to \$26.7 billion in 2006–07. The treasury bill repo market volume was lower in 2007–08 at \$1.7 billion compared to \$2.6 billion in 2006–07. Lower trading volume in the treasury bill repo market may have arisen as a result of an unwillingness by financial institutions to lend to one another during the credit market turbulence.

### Secondary Trading by Market Participants

The share of secondary market trading of Government of Canada securities is highly concentrated, with primary dealers accounting for almost 90 per cent of trading activity in 2007–08.<sup>12</sup> The 10 most active participants in the federal securities secondary market represented over 94 per cent of trading activity (see Table 12).

<sup>12</sup>Primary dealers trade on behalf of their clients as well as for their own accounts.

**Table 12***Secondary Trading: Share by Type of Participant, 2007–08*

Participant Type	Treasury Bills	Bonds
	(%)	
Primary dealers	96.7	89.0
Other GSDs	3.3	11.0
Top 5 participants	83.0	66.3
Top 10 participants	98.7	94.9

Source: Bank of Canada.

### Interest Rate Futures Market

An active and liquid interest rate futures market contributes to efficient capital markets by providing important trading, pricing and hedging tools, and supporting pricing for Government of Canada securities.

The futures contract based on the 10-year Government of Canada bond basket (or the CGB contract<sup>13</sup>) continues to be actively traded, with trading volume jumping to 9.3 million contracts in calendar year 2007, a 21-per-cent increase from 2006.

The futures contract based on the 2-year Government of Canada bond (or the CGZ contract<sup>13</sup>), originally launched in 2004 and modified in July 2006, had a trading volume of roughly 6,000 contracts in 2007.

The futures contract based on the 30-year Government of Canada bond (or the LGB contract<sup>13</sup>), launched in November 2007, had a trading volume of roughly 2,000 contracts for the last two months of calendar year 2007.<sup>14</sup>

<sup>13</sup>CGB, CGZ and LGB are trademark products of the Montréal Exchange.

<sup>14</sup>For additional information on this new product, see the LGB descriptive brochure on the Montréal Exchange's website at [http://www.m-x.ca/f\\_publications\\_en/brochure\\_lgb\\_en.pdf](http://www.m-x.ca/f_publications_en/brochure_lgb_en.pdf).





## Foreign Currency Debt Programs

Foreign currency debt is used to fund the foreign exchange reserves, which are held in the Exchange Fund Account (EFA). The *Report on the Management of Canada's Official International Reserves*, available at [www.fin.gc.ca/purl/efa-eng.asp](http://www.fin.gc.ca/purl/efa-eng.asp), provides information on the objectives, composition and performance of the reserves portfolio.

The market value of the official international reserves increased to US\$43.1 billion at March 31, 2008 from US\$39.3 billion at March 31, 2007. The change comprised a US\$3.8-billion increase in EFA assets and a US\$54-million decrease in the International Monetary Fund (IMF) reserve position.

The EFA, which represents the largest component of the official international reserves, is an actively managed portfolio of liquid foreign currency securities and deposits. The other component is the IMF reserve position, which is not actively managed. This position, which represents Canada's investment in the activities of the IMF, fluctuates according to drawdowns and repayments from the IMF.

The EFA is funded by liabilities of the Government of Canada denominated in, or converted to, foreign currencies. Funding requirements are primarily met through an ongoing program of cross-currency swaps of domestic obligations. Total cross-currency swap issuance and maturities during the reporting period were US\$4.3 billion and US\$2.3 billion, respectively.

In addition to cross-currency swaps of domestic obligations, the EFA is funded by a short-term U.S.-dollar paper program (Canada bills), medium-term note issuance in various markets (Canada notes and Euro Medium-Term Notes) and international bond issues (global bonds), the use of which depends on funding needs and market conditions.

There was no new issuance of Canada notes, Euro Medium-Term Notes or global bonds during the period. Table 13 presents the change in outstanding foreign currency issues. Note that the changes reflect not only issuance and maturities, but also changes in the exchange rates of the euro and yen versus the US dollar (as the foreign currency issues are reported in U.S. dollars).

**Table 13**

*Outstanding Foreign Currency Issues at March 31, 2008*  
(par value in millions of U.S. dollars)

	March 31, 2008	Change From March 31, 2007
Swapped domestic issues	30,503	2,541
Global bonds	5,729	-140
Canada bills	1,445	-155
Euro Medium-Term Notes	1,579	171
Canada notes	502	78
Total	39,758	2,495

Note: Liabilities are stated at the exchange rates prevailing on March 31, 2008.



## Annex 1: Completed Treasury Evaluation Reports, 1992–2007

Area	Year
Debt Management Objectives	1992
Debt Structure—Fixed/Floating Mix	1992
Internal Review Process	1992
External Review Process	1992
Benchmarks and Performance Measures	1994
Foreign Currency Borrowing—Canada Bills Program	1994
Developing Well-Functioning Bond and Bill Markets	1994
Liability Portfolio Performance Measurement	1994
Retail Debt Program	1994
Guidelines for Dealing With Auction Difficulties	1995
Foreign Currency Borrowing—Standby Line of Credit and FRN	1995
Treasury Bill Program Design	1995
Real Return Bond Program	1998
Foreign Currency Borrowing Programs	1998
Initiatives to Support a Well-Functioning Wholesale Market	2001
Debt Structure Target/Modelling	2001
Reserves Management Framework	2002
Bond Buybacks	2003
Funds Management Governance Framework <sup>1</sup>	2004
Retail Debt Program <sup>1</sup>	2004
Borrowing Framework of Major Federal Government-Backed Entities <sup>1</sup>	2005
Receiver General Cash Management Program <sup>1</sup>	2006
Exchange Fund Account Evaluation <sup>1</sup>	2006

<sup>1</sup> Available at [www.fin.gc.ca](http://www.fin.gc.ca).



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## **Annex 2: Policy Measures Taken Since 1997 to Ensure a Well-Functioning Government Securities Market**

- 1997: Dropped the 3-year bond benchmark
- 1998: Moved from weekly to bi-weekly treasury bill auctions
- 1999: Introduced a cash-based bond buyback program
- 1999: Introduced standardized benchmarks (fixed maturities and increased size)
- 1999: Started regular cross-currency swap-based funding of foreign assets
- 2001: Introduced a switch-based bond buyback program
- 2001: Allowed reconstitution of bonds beyond size of above original amount issued
- 2001: Introduced the cash management bond buyback program
- 2001–
- 2006: Reduced targeted turnaround times to less than 3 minutes for auctions and less than 5 minutes for buyback operations
- 2004: Advanced timing of treasury bill auctions from 12:30 p.m. to 10:30 a.m.
- 2005: Advanced timing of bond auctions from 12:30 p.m. to 12:00 p.m.
- 2005: Reduced timing between bond auction and cash buybacks to 20 minutes
- 2006: Dropped one quarterly 2-year auction
- 2006: Announced the maintenance of benchmark targets through fungibility (common dates)
- 2007: Consolidated the borrowings of three Crown corporations
- 2007: Changed the maturity of the 5-year benchmark and dropped one quarterly 5-year auction



## Annex 3: Glossary

**asset-liability management:** An investment decision-making framework that is used to concurrently manage a portfolio of assets and liabilities.

**benchmark bond:** Specific issue which is typically the most liquid bond within each range of maturities. It is considered by the market to be the standard against which all other bonds issued in that term area are evaluated.

**budgetary deficit:** The shortfall between government annual revenues and annual budgetary expenses.

**buyback on a cash basis:** The repurchase of bonds for cash. Used to maintain the size of bond auctions and new issuance.

**buyback on a switch basis:** The exchange of outstanding bonds for new bonds in the current building benchmark.

**Canada bill:** Promissory note denominated in U.S. dollars, issued for terms of up to 270 days. Canada bills are issued for foreign exchange reserves funding purposes only.

**Canada Investment Bond:** A non-marketable fixed-term security instrument issued by the Government of Canada.

**Canada note:** Promissory note usually denominated in U.S. dollars and available in book-entry form. Canada notes can be issued for terms of nine months or longer, and can be issued at a fixed or a floating rate. Canada notes are issued for foreign exchange reserves funding purposes only.

**Canada Premium Bond:** A non-marketable security instrument issued by the Government of Canada, which is redeemable once a year on the anniversary date or during the 30 days thereafter without penalty.

**Canada Savings Bond:** A non-marketable security instrument issued by the Government of Canada, which is redeemable on demand by the registered owner(s), and which, after the first three months, pays interest up to the end of the month prior to cashing.

**cross-currency swap:** An agreement that exchanges one type of obligation for another involving different currencies and the exchange of the principal amounts and interest payments.

**electronic trading system:** An electronic system that provides real-time information about securities and enables the user to execute financial trades.

**Exchange Fund Account (EFA):** The objective of the EFA is to aid in the control and protection of the external value of the Canadian dollar. Assets held in the EFA are managed to provide foreign currency liquidity to the Government and to promote orderly conditions for the Canadian dollar in the foreign exchange markets, if required.



**financial source/requirement:** Measures the difference between the cash inflows and outflows of the Government's Receiver General account. In the case of a financial requirement, it is the amount of new borrowing required from outside lenders to meet financing needs in any given year.

**foreign exchange reserves:** Foreign exchange reserves are the foreign currency assets (e.g. interest-earning bonds) held to support the value of the domestic currency. Canada's foreign exchange reserves are held in the Exchange Fund Account.

**Government of Canada securities auction:** A process used for selling Government of Canada debt securities (mostly marketable bonds and treasury bills) in which issues are sold by public tender to government securities distributors and approved clients.

**government securities distributor (GSD):** An entity (i.e. an investment dealer or bank) that is authorized to bid at Government of Canada auctions and through which the Government distributes Government of Canada treasury bills and marketable bonds.

**interest-bearing debt:** Consists of unmatured debt, and liabilities to internally held accounts such as federal employees' pension plans.

**Large Value Transfer System (LVTS):** An electronic funds transfer system introduced in February 1999 and operated by the Canadian Payments Association. It facilitates the electronic transfer of Canadian-dollar payments across the country virtually instantaneously.

**market bond:** An interest-bearing certificate of indebtedness issued by the Government of Canada, and having the following characteristics: bought and sold on the open market; payable in Canadian or foreign currency; having a fixed date of maturity; interest payable either in coupon or registered form; face value guaranteed at maturity.

**market debt:** Market debt that is issued by the Government of Canada and sold via public tender or syndication. These issues can be traded between investors while outstanding.

**money market:** The market in which short-term capital is raised, invested and traded using financial instruments such as treasury bills, bankers' acceptances, commercial paper, and bonds maturing in one year or less.

**non-market debt:** Consists of the Government's internal debt, which is, for the most part, federal public sector pension liabilities and the Government's current liabilities (such as accounts payable, accrued liabilities, interest payments and payments of matured debt).

**overnight rate; overnight financing rate; overnight money market rate; overnight lending rate:** An interest rate at which participants with a temporary surplus or shortage of funds are able to lend or borrow until the next business day. It is the shortest term to maturity in the money market.



**primary dealer (PD):** Member of the core group of government securities distributors that maintains a certain threshold of activity in the market for Government of Canada securities. The primary dealer classification can be attained in either treasury bills or marketable bonds, or both.

**primary market:** The market in which issues of securities are first offered to the public.

**Real Return Bond:** Government of Canada Real Return Bonds pay semi-annual interest based upon a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on Real Return Bonds are adjusted for changes in the Consumer Price Index.

**secondary market:** A market where existing securities trade after they have been sold to the public in the primary market.

**sovereign market:** Market for the debt issued by a government.

**treasury bill:** Short-term obligation sold by public tender. Treasury bills, with terms to maturity of 3, 6 or 12 months, are currently auctioned on a bi-weekly basis.

**yield curve:** The conceptual or graphic representation of the term structure of interest rates. A “normal” yield curve is upward sloping, with short-term rates lower than long-term rates. An “inverted” yield curve is downward sloping, with short-term rates higher than long-term rates. A “flat” yield curve occurs when short-term rates are the same as long-term rates.



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Reference Table I

### Gross Public Debt, Outstanding Market Debt and Debt Charges

[illegible]

<sup>1</sup> Calculation methodology may vary slightly from year to year. The definition of interest-bearing debt changed slightly in 2002–03 to reflect the adoption of the full accrual basis of accounting.

During 2007–08, improvements were made to the calculation of the fixed-rate share of the debt to more appropriately reflect the Government's exposure to interest rate risk. The fixed-rate share of the debt is adjusted by excluding components of the debt that are matched with financial assets of the same term and therefore do not represent an exposure to interest rate risk. The federal liabilities netted out from the fixed-rate share calculation include liabilities funding the assets in the Exchange Fund Account; debt securities matched with corresponding loans to Crown corporations; Government of Canada debt held by the Bank of Canada; and the debt offset by Receiver General cash and deposit balances. The fixed-rate share for 2006–07 and 2007–08 has been adjusted using this new methodology.



**Reference Table III***Average Weekly Domestic Market Trading in Government of Canada Securities, April 2007 to March 2008*

	Treasury bills	Marketable bonds				Total marketable bonds	Total
		3 years and under	3 to 10 years	Over 10 years	Real Return Bonds		
				(\$ millions)			
April 2007	18,177	32,050	52,550	10,275	322	95,197	113,374
May 2007	18,240	32,372	66,903	11,710	577	111,562	129,802
June 2007	19,478	39,612	94,481	13,566	874	148,533	168,011
July 2007	18,093	26,023	55,653	9,628	603	91,907	110,000
August 2007	21,455	39,054	68,144	9,591	493	117,282	138,737
September 2007	17,720	48,601	68,538	10,641	416	128,196	145,916
October 2007	16,841	37,079	52,366	9,694	422	99,561	116,402
November 2007	20,845	40,109	54,727	9,686	437	104,959	125,804
December 2007	20,281	34,882	49,653	10,884	481	95,900	116,181
January 2008	20,318	38,471	48,639	11,655	429	99,194	119,512
February 2008	18,353	45,680	51,460	10,514	438	108,092	126,445
March 2008	23,300	44,755	62,412	12,372	759	120,298	143,598

Source: Bank of Canada.



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**Reference Table IV (cont'd)**  
*Fiscal 2007–08 Treasury Bill Program*

Settlement date	Maturing				New issues				Net increment			Average tender yields					
	CMB <sup>1</sup>	3 mo	6 mo	12 mo	Total	CMB <sup>1</sup>	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S <sup>2</sup>	CMB <sup>1</sup>	3 mo	6 mo	12 mo
(%)																	
Nov. 1, 2007		4,400		4,900	9,300		5,300	2,100	2,100	9,500	200	-21,400	112,700		3.97	4.25	4.30
Nov. 5, 2007	3,200				3,200					0	-3,200	-24,600	109,500				
Nov. 7, 2007	2,400				2,400					0	-2,400	-27,000	107,100				
Nov. 15, 2007	1,500	4,700	3,400		9,600		6,500	2,500	2,500	11,500	1,900	-25,100	109,000		4.01	4.22	4.22
Nov. 20, 2007					0	2,500				2,500	2,500	-22,600	111,500	4.05			
Nov. 28, 2007					0	2,000				2,000	2,000	-20,600	113,500	4.23			
Nov. 29, 2007		4,700		4,700	9,400		6,800	2,600	2,600	12,000	2,600	-18,000	116,100		3.92	3.94	3.89
Nov. 30, 2007					0	1,000				1,000	1,000	-17,000	117,100	4.18			
Dec. 5, 2007	2,000				2,000					0	-2,000	-19,000	115,100				
Dec. 7, 2007	1,000				1,000					0	-1,000	-20,000	114,100				
Dec. 13, 2007	2,500	5,000	4,100		11,600	2,500	4,400	1,800	1,800	10,500	-1,100	-21,100	113,000	4.06	3.88	4.00	4.02
Dec. 20, 2007					0	3,000				3,000	3,000	-18,100	116,000	4.05			
Dec. 27, 2007		4,400		3,300	7,700		4,100	1,700	1,700	7,500	-200	-18,300	115,800		3.86	4.00	4.00
Jan. 3, 2008	2,500				2,500					0	-2,500	-20,800	113,300				
Jan. 4, 2008	3,000				3,000					0	-3,000	-23,800	110,300				
Jan. 10, 2008		4,100	3,900		8,000		3,800	1,600	1,600	7,000	-1,000	-24,800	109,300		3.75	3.79	3.77
Jan. 21, 2008					0	1,500				1,500	1,500	-23,300	110,800	3.65			
Jan. 24, 2008		4,100		3,700	7,800	2,300	4,100	1,700	1,700	9,800	2,000	-21,300	112,800	3.79	3.46	3.46	3.35
Jan. 30, 2008					0	1,500				1,500	1,500	-19,800	114,300	3.97			
Feb. 1, 2008	2,300				2,300					0	-2,300	-22,100	112,000				
Feb. 4, 2008	1,500				1,500					0	-1,500	-23,600	110,500				
Feb. 7, 2008	1,500	5,300	3,800		10,600		4,700	1,900	1,900	8,500	-2,100	-25,700	108,400		3.31	3.33	3.23
Feb. 15, 2008					0	1,200				1,200	1,200	-24,500	109,600	3.44			
Feb. 21, 2008		6,500		5,200	11,700	2,500	5,300	2,100	2,100	12,000	300	-24,200	109,900	3.22	3.24	3.25	3.16
Feb. 28, 2008					0	1,000				1,000	1,000	-23,200	110,900	3.61			
Mar. 3, 2008	2,200				2,200					0	-2,200	-25,400	108,700				
Mar. 6, 2008		6,800	3,800		10,600		5,600	2,200	2,200	10,000	-600	-26,000	108,100		2.94	2.96	2.89
Mar. 17, 2008					0	2,500				2,500	2,500	-23,500	110,600	2.27			
Mar. 20, 2008		4,400		4,200	8,600	2,700	5,900	2,300	2,300	13,200	4,600	-18,900	115,200	2.20	2.03	2.29	2.34
Mar. 28, 2008					0	1,200				1,200	1,200	-17,700	116,400	3.07			
Mar. 31, 2008					0	600				600	600	-17,100	117,000	3.06			
Total	71,100	127,000	52,600	54,300	305,000	64,400	123,700	49,900	49,900	287,900	-17,100						

<sup>1</sup> Cash management bill.

<sup>2</sup> Outstanding.

Source: Bank of Canada.



**Reference Table V**  
*Fiscal 2007–08 Treasury Bill Auction Results*

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
Apr. 3, 2007	12	1,800	96.119	4.211	2.468	0.4	Jul. 10, 2007	6	2,100	97.747	4.623	2.143	0.7
Apr. 3, 2007	3	4,400	98.893	4.169	2.536	0.4	Jul. 12, 2007	NF	1,900	99.747	4.408	2.181	6.2
Apr. 3, 2007	6	1,800	98.101	4.206	2.449	0.2	Jul. 19, 2007	NF	2,000	99.829	4.471	2.631	2.9
Apr. 17, 2007	12	1,600	95.893	4.295	2.254	0.8	Jul. 24, 2007	12	1,800	95.617	4.780	2.217	1.2
Apr. 17, 2007	3	3,800	98.893	4.168	2.398	0.3	Jul. 24, 2007	3	4,400	98.790	4.562	2.267	0.8
Apr. 17, 2007	6	1,600	97.930	4.240	2.435	0.3	Jul. 24, 2007	6	1,800	97.889	4.685	2.093	1.2
May 1, 2007	12	1,600	96.025	4.317	2.268	0.8	Jul. 26, 2007	CMB	2,000	99.829	4.468	1.750	2.9
May 1, 2007	3	3,800	98.894	4.166	2.213	0.1	Aug. 7, 2007	12	1,900	95.472	4.756	2.329	0.7
May 1, 2007	6	1,600	98.083	4.246	2.241	0.4	Aug. 7, 2007	3	4,700	98.778	4.609	2.180	1.3
May 15, 2007	12	1,600	95.853	4.338	2.301	0.4	Aug. 7, 2007	6	1,900	97.711	4.698	2.243	0.7
May 15, 2007	3	3,800	98.894	4.164	2.208	0.3	Aug. 21, 2007	12	1,900	96.252	4.061	2.349	1.9
May 15, 2007	6	1,600	97.926	4.247	2.348	0.2	Aug. 21, 2007	3	4,700	98.935	4.009	2.376	4.1
May 25, 2007	NF <sup>1</sup>	2,000	99.908	4.211	3.302	2.3	Aug. 21, 2007	6	1,900	98.162	4.067	2.319	1.3
May 29, 2007	12	1,800	95.811	4.559	2.165	2.1	Aug. 22, 2007	CMB	2,500	99.846	4.017	1.981	3.3
May 29, 2007	3	4,400	98.862	4.286	2.228	0.4	Aug. 28, 2007	CMB	2,500	99.763	3.943	2.121	2.7
May 29, 2007	6	1,800	98.000	4.433	2.323	0.9	Aug. 31, 2007	NF	1,500	99.882	4.299	2.627	9.1
May 30, 2007	NF	1,500	99.609	4.211	3.669	0.9	Sep. 4, 2007	12	2,000	95.837	4.356	2.018	1.9
May 31, 2007	NF	1,200	99.965	4.248	2.167	1.7	Sep. 4, 2007	3	5,000	98.916	4.081	2.007	1.9
Jun. 12, 2007	12	1,900	95.451	4.779	1.948	1.1	Sep. 4, 2007	6	2,000	97.901	4.299	2.203	3.1
Jun. 12, 2007	3	4,700	98.846	4.349	2.265	0.5	Sep. 18, 2007	12	1,800	95.959	4.392	2.161	1.1
Jun. 12, 2007	6	1,900	97.777	4.560	1.901	1.0	Sep. 18, 2007	3	4,400	98.910	4.105	2.181	1.3
Jun. 14, 2007	NF	1,700	99.760	4.180	2.972	3.0	Sep. 18, 2007	6	1,800	98.059	4.300	2.373	0.6
Jun. 20, 2007	NF	2,700	99.814	4.248	1.656	5.2	Sep. 20, 2007	CMB	2,000	99.841	4.146	2.241	2.1
Jun. 26, 2007	12	2,200	95.648	4.745	2.480	0.3	Oct. 2, 2007	12	1,700	95.954	4.228	2.028	1.2
Jun. 26, 2007	3	5,600	98.828	4.418	2.097	0.7	Oct. 2, 2007	3	4,100	98.933	4.015	2.095	0.9
Jun. 26, 2007	6	2,200	97.943	4.563	2.149	0.7	Oct. 2, 2007	6	1,700	97.945	4.207	2.152	2.3
Jun. 27, 2007	NF	2,800	99.918	4.255	2.159	2.5	Oct. 16, 2007	12	1,700	95.931	4.423	2.360	0.7
Jun. 28, 2007	CMB <sup>2</sup>	3,000	99.838	4.236	2.318	1.9	Oct. 16, 2007	3	4,100	98.941	3.987	2.433	1.0
Jul. 10, 2007	12	2,100	95.479	4.748	2.473	1.0	Oct. 16, 2007	6	1,700	98.059	4.300	2.088	1.7
Jul. 10, 2007	3	5,300	98.803	4.512	2.211	0.7	Oct. 18, 2007	NF	3,200	99.796	4.145	2.563	1.9

**Reference Table V (cont'd)**  
*Fiscal 2007–08 Treasury Bill Auction Results*

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
Oct. 19, 2007	NF	2,400	99.782	4.196	1.758	3.4	Jan. 22, 2008	12	1,700	96.765	3.352	2.336	1.6
Oct. 29, 2007	CMB	1,500	99.817	4.176	1.979	4.1	Jan. 22, 2008	3	4,100	99.081	3.455	2.414	0.5
Oct. 30, 2007	12	2,100	95.884	4.305	2.432	0.5	Jan. 22, 2008	6	1,700	98.304	3.459	2.535	1.0
Oct. 30, 2007	3	5,300	98.946	3.968	2.262	1.2	Jan. 24, 2008	NF	2,300	99.917	3.793	1.679	15.7
Oct. 30, 2007	6	2,100	97.927	4.246	2.179	0.4	Jan. 30, 2008	NF	1,500	99.946	3.966	2.213	1.9
Nov. 13, 2007	12	2,500	96.112	4.219	2.086	0.8	Feb. 5, 2008	12	1,900	96.998	3.228	2.083	1.2
Nov. 13, 2007	3	6,500	98.933	4.015	2.257	0.8	Feb. 5, 2008	3	4,700	99.119	3.312	2.150	0.8
Nov. 13, 2007	6	2,500	98.096	4.217	2.171	0.8	Feb. 5, 2008	6	1,900	98.490	3.330	2.361	1.0
Nov. 19, 2007	CMB	2,500	99.746	4.048	1.981	2.2	Feb. 15, 2008	NF	1,200	99.840	3.442	1.833	20.8
Nov. 27, 2007	12	2,600	96.265	3.891	2.367	0.9	Feb. 19, 2008	12	2,100	96.942	3.163	2.325	1.7
Nov. 27, 2007	3	6,800	98.958	3.920	2.255	0.7	Feb. 19, 2008	3	5,300	99.138	3.239	2.181	0.7
Nov. 27, 2007	6	2,600	98.073	3.940	2.335	1.0	Feb. 19, 2008	6	2,100	98.407	3.247	2.105	2.2
Nov. 28, 2007	NF	2,000	99.919	4.228	2.935	2.2	Feb. 21, 2008	CMB	2,500	99.631	3.219	1.954	2.1
Nov. 30, 2007	NF	1,000	99.920	4.175	3.672	2.5	Feb. 28, 2008	NF	1,000	99.960	3.613	2.475	34.7
Dec. 11, 2007	12	1,800	96.286	4.023	2.276	0.7	Mar. 4, 2008	12	2,200	97.304	2.889	2.397	0.6
Dec. 11, 2007	3	4,400	98.968	3.884	2.284	0.6	Mar. 4, 2008	3	5,600	99.218	2.936	2.506	0.8
Dec. 11, 2007	6	1,800	98.192	4.001	2.337	0.9	Mar. 4, 2008	6	2,200	98.656	2.960	2.199	1.3
Dec. 13, 2007	NF	2,500	99.767	4.065	2.365	3.5	Mar. 14, 2008	CMB	2,500	99.807	2.273	2.033	2.7
Dec. 19, 2007	NF	3,000	99.834	4.048	3.421	0.2	Mar. 18, 2008	12	2,300	97.721	2.339	2.247	1.6
Dec. 21, 2007	12	1,700	96.177	3.997	1.907	1.8	Mar. 18, 2008	3	5,900	99.459	2.025	2.248	2.5
Dec. 21, 2007	3	4,100	98.974	3.862	2.117	1.4	Mar. 18, 2008	6	2,300	98.873	2.286	2.498	1.4
Dec. 21, 2007	6	1,700	98.043	4.003	1.978	1.2	Mar. 20, 2008	NF	2,700	99.928	2.202	1.129	119.8
Jan. 8, 2008	12	1,600	96.522	3.769	2.425	0.6	Mar. 28, 2008	NF	1,200	99.941	3.071	3.220	22.9
Jan. 8, 2008	3	3,800	99.004	3.748	2.398	0.6	Mar. 31, 2008	NF	600	99.966	3.061	4.482	3.9
Jan. 8, 2008	6	1,600	98.286	3.789	2.163	1.1	<b>Total</b>		<b>287,900</b>				
Jan. 21, 2008	CMB	1,500	99.830	3.649	2.321	1.4							

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield.

<sup>1</sup> Non-fungible cash management bill.

<sup>2</sup> Cash management bill.

Source: Bank of Canada.







**Reference Table VI**  
*Issuance of Government of Canada Domestic Bonds*

Fiscal year	Gross issuance						Buybacks			Net issuance		
	Nominal <sup>1</sup>			RRB			Cash	Switch	Total			
	2-year	3-year	5-year	10-year	30-year	Total						
							(\$ billions)					
1995-96	11.1	5.1	17.0	10.5	5.0	48.7	1.0			49.7		49.7
1996-97	12.0	11.1	13.3	11.8	5.8	54.0	1.7			55.7		55.7
1997-98	14.0		9.9	9.3	5.0	38.2	1.7			39.9		39.9
1998-99	14.0		9.8	9.2	3.3	36.3	1.6			37.9		37.9
1999-00	14.2		14.0	12.9	3.7	44.8	1.3		-2.7	0.0	-2.7	43.3
2000-01	14.1		10.5	10.1	3.8	38.5	1.4		-2.8	0.0	-2.8	37.1
2001-02	14.0		10.0	9.9	6.3	40.2	1.4		-5.3	-0.4	-5.6	35.9
2002-03	13.9		11.0	12.6	4.8	42.3	1.4		-7.1	-5.0	-12.1	31.6
2003-04	13.0		10.7	11.5	4.2	39.4	1.4		-5.2	-5.0	-10.2	30.7
2004-05	12.0		9.6	10.6	3.3	35.5	1.4		-6.8	-4.7	-11.4	25.5
2005-06	10.0		9.2	10.0	3.2	32.4	1.5		-5.3	-3.3	-8.6	25.3
2006-07	10.3		7.8	10.4	3.3	31.8	1.6		-5.1	-4.7	-9.8	23.6
2007-08	11.7		6.3	10.7	3.4	32.0	2.3		-4.3	-2.4	-6.7	27.6

<sup>1</sup> Including nominal issuance through switch buyback operations.



**Reference Table VII**

*Fiscal 2007–08 Domestic Bond Program*

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase (\$ millions)	Net
<b>Fixed-coupon bonds</b>						
April 11, 2007	April 13, 2007	June 1, 2009		500	447	53
April 18, 2007	April 23, 2007	June 1, 2017		2,600	113	2,487
May 2, 2007	May 7, 2007	June 1, 2012		2,000	400	1,600
May 23, 2007	May 25, 2007	December 1, 2009		3,500	500	3,000
	June 1, 2007	*	7,739			-7,739
June 6, 2007	June 11, 2007	June 1, 2037		300	359	-59
July 18, 2007	July 23, 2007	June 1, 2037		1,400	250	1,150
August 1, 2007	August 7, 2007	June 1, 2017		2,600	391	2,209
August 15, 2007	August 20, 2007	June 1, 2012		2,000	400	1,600
	September 4, 2007	*	7,095			-7,095
September 12, 2007	September 17, 2007	June 1, 2017		136	66	70
September 19, 2007	September 21, 2007	December 1, 2009		3,600	500	3,100
	October 1, 2007	*	418			-418
October 3, 2007	October 9, 2007	June 1, 2037		300	346	-46
October 10, 2007	October 12, 2007	December 1, 2009		400	330	70
October 24, 2007	October 29, 2007	June 1, 2018		2,500	363	2,137
November 7, 2007	November 13, 2007	June 1, 2012		224	306	-82
November 28, 2007	November 30, 2007	June 1, 2010		3,300	400	2,900
	December 3, 2007	*	5,484			-5,484
January 9, 2008	January 11, 2008	June 1, 2010		400	405	-5
January 16, 2008	January 21, 2008	June 1, 2037		1,400	300	1,100
February 6, 2008	February 11, 2008	June 1, 2018		2,600	400	2,200
February 20, 2008	February 25, 2008	June 1, 2013		2,000	235	1,765
	March 3, 2008	*	579			-579
March 5, 2008	March 10, 2008	June 1, 2013		64	65	-1
March 19, 2008	March 25, 2008	June 1, 2018		223	111	112
<b>Real Return</b>						
May 30, 2007	June 4, 2007	December 1, 2041				
August 29, 2007	September 4, 2007	December 1, 2041		650		650
December 5, 2007	December 10, 2007	December 1, 2041		500		500
February 27, 2008	March 3, 2008	December 1, 2041		600		600
					500	500
<b>Totals for fiscal year</b>			<b>21,314</b>	<b>34,296</b>	<b>6,687</b>	<b>6,295</b>

\* Maturing date.

Source: Bank of Canada.



**Reference Table VIII**  
*Fiscal 2007–08 Domestic Bond Auction Results*

Auction date	Term (years)	Maturity date	Coupon rate (%)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Auction coverage	Tail (basis points)
Apr. 18, 2007	10	Jun 1, 2017	4.00	2,600	98.428	4.192	2.53	0.3
May 2, 2007	5	Jun 1, 2012	3.75	2,000	98.173	4.153	2.49	0.3
May 23, 2007	2	Dec. 1, 2009	4.25	3,500	99.553	4.440	2.53	0.4
May 30, 2007	30	Dec. 1, 2041	2.00*	650	99.752	2.010	2.80	
Jul. 18, 2007	30	Jun 1, 2037	5.00	1,400	108.008	4.509	2.65	0.3
Aug. 1, 2007	10	Jun 1, 2017	4.00	2,600	95.962	4.513	2.46	0.5
Aug. 15, 2007	5	Jun 1, 2012	3.75	2,000	97.295	4.382	2.58	0.4
Aug. 29, 2007	30	Dec. 1, 2041	2.00*	500	95.672	2.180	3.01	
Sep. 19, 2007	2	Dec. 1, 2009	4.25	3,600	100.076	4.211	2.56	0.4
Oct. 24, 2007	10	Jun 1, 2018	4.25	2,500	99.489	4.311	2.48	0.7
Nov. 28, 2007	2	Jun 1, 2010	3.75	3,300	99.839	3.818	2.52	0.6
Dec. 5, 2007	30	Dec. 1, 2041	2.00*	600	98.539	2.060	3.04	
Jan. 16, 2008	30	Jun 1, 2037	5.00	1,400	116.262	4.048	2.38	0.3
Feb. 6, 2008	10	Jun 1, 2018	4.25	2,600	103.053	3.887	2.34	0.2
Feb. 20, 2008	5	Jun 1, 2013	3.50	2,000	99.642	3.576	2.63	0.2
Feb. 27, 2008	30	Dec. 1, 2041	2.00*	500	100.489	1.980	2.83	
<b>Total</b>				<b>31,750</b>				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield. Does not include nominal issuance resulting from switch buyback operations.

\* Real Return bonds.

Source: Bank of Canada.



**Reference Table IX**

*Outstanding Government of Canada Domestic Bonds as at March 31, 2008*

Maturity date	Amount (\$ millions)	Coupon rate (%)	Inflation adjustment (\$ millions)	Outstanding amount (\$ millions)
<b>Fixed-coupon bonds</b>				
June 1, 2008	706	3.75		
June 1, 2008	4,474	6.00		
June 1, 2008	2,971	10.00		
September 1, 2008	8,505	4.25		
October 1, 2008	396	11.75		
December 1, 2008	6,272	4.25		
March 1, 2009	140	11.50		
June 1, 2009	3,500	3.75		
June 1, 2009	6,175	5.50		
June 1, 2009	638	11.00		
September 1, 2009	8,710	4.25		
October 1, 2009	222	10.75		
December 1, 2009	7,500	4.25		
March 1, 2010	83	9.75		
June 1, 2010	3,700	3.75		
June 1, 2010	5,127	5.50		
June 1, 2010	2,225	9.50		
September 1, 2010	7,628	4.00		
October 1, 2010	116	8.75		
March 1, 2011	483	9.00		
June 1, 2011	10,094	6.00		
June 1, 2011	606	8.50		
September 1, 2011	9,328	3.75		
June 1, 2012	6,824	3.75		
June 1, 2012	10,357	5.25		
June 1, 2013	2,064	3.50		
June 1, 2013	8,997	5.25		
March 15, 2014	734	10.25		



**Reference Table IX (cont'd)**  
*Outstanding Government of Canada Domestic Bonds as at March 31, 2008*

<b>Maturity date</b>	<b>Amount</b> (\$ millions)	<b>Coupon rate</b> (%)	<b>Inflation adjustment</b> (\$ millions)	<b>Outstanding amount</b> (\$ millions)
June 1, 2014	9,779	5.00		
June 1, 2015	10,240	4.50		
June 1, 2015	482	11.25		
June 1, 2016	10,300	4.00		
June 1, 2017	10,343	4.00		
June 1, 2018	5,323	4.25		
March 15, 2021	718	10.50		
June 1, 2021	429	9.75		
June 1, 2022	435	9.25		
June 1, 2023	5,469	8.00		
June 1, 2025	5,000	9.00		
June 1, 2027	7,563	8.00		
June 1, 2029	13,132	5.75		
June 1, 2033	13,410	5.75		
June 1, 2037	13,249	5.00		
<b>Total</b>	<b>224,447</b>			
<b>Real Return</b>				
December 1, 2021	5,175	4.25	1,790	6,965
December 1, 2026	5,250	4.25	1,434	6,684
December 1, 2031	5,800	4.00	1,296	7,096
December 1, 2036	5,850	3.00	501	6,351
December 1, 2041	2,250	2.00	12	2,262
<b>Total</b>	<b>24,325</b>		<b>5,033</b>	<b>29,358</b>

Note: Outstanding bond amounts reported in this table are in accordance with Bank of Canada reports, which may vary slightly with Government of Canada amounts due to differences in classification methods.

Source: Bank of Canada.

**Reference Table X***Government of Canada Cross-Currency Swaps Outstanding as at March 31, 2008*

Maturity date	Swaps of domestic obligations			Swaps of foreign obligations		Total
	USD	EUR	JPY (CAD\$ millions)	USD		
June 1, 2008	821	324				1,145
September 30, 2008	51					51
October 1, 2008	195	405				600
November 5, 2008				1,232		1,232
March 1, 2009	549	203				752
June 1, 2009	518	851				1,369
October 1, 2009	400	1,377				1,777
March 1, 2010		446				446
June 1, 2010	51	1,410	82			1,544
October 1, 2010	51	875				926
March 1, 2011	334					334
June 1, 2011	770	843				1,613
September 1, 2011		624				624
June 1, 2012	1,514	1,337				2,851
June 1, 2013	1,155	1,142				2,297
March 15, 2014	847					847
June 1, 2014	1,617	1,645				3,262
June 1, 2015	2,233	964				3,197
June 1, 2016	462	1,912				2,374
November 20, 2016	359					359
February 20, 2017	231					231
March 20, 2017	128					128
April 20, 2017	103	162				265
May 20, 2017	770					770
June 1, 2017	1,027	324				1,351
July 20, 2017	51	616				667
August 20, 2017	128	324				452
September 20, 2017	154	203				357
October 3, 2017	78					78
October 20, 2017	51					51
January 20, 2018	103	486				589
April 20, 2018	103	81				184
<b>Total</b>	<b>14,855</b>	<b>16,553</b>	<b>82</b>	<b>1,232</b>		<b>32,722</b>

Notes: Foreign currency swaps converted to Canadian dollars as of March 31, 2008. Numbers may not add due to rounding.



**Reference Table XI**  
*Fiscal 2007–08 Bond Buyback Program Operations*

Buyback date	Maturity date	Coupon rate	Amount (\$ millions)	Buyback date	Maturity date	Coupon rate	Amount (\$ millions)
<b>Buyback on cash basis</b>							
<b>April 18, 2007</b>	June 1, 2014	5.00	60	<b>October 24, 2007</b>	June 1, 2015	11.25	2
	June 1, 2021	9.75	8		June 1, 2021	9.75	5
	June 1, 2023	8.00	30		June 1, 2023	8.00	115
	June 1, 2027	8.00	15		June 1, 2025	9.00	31
	<b>Total</b>		<b>113</b>		June 1, 2027	8.00	64
<b>May 2, 2007</b>	June 1, 2010	5.50	249	<b>November 28, 2007</b>	June 1, 2029	5.75	147
	June 1, 2011	6.00	151		<b>Total</b>		<b>363</b>
	<b>Total</b>		<b>400</b>		September 1, 2010	4.00	400
<b>May 23, 2007</b>	September 1, 2009	4.25	275	<b>January 16, 2008</b>	<b>Total</b>		<b>400</b>
	June 1, 2010	5.50	89		June 1, 2023	8.00	61
	June 1, 2011	6.00	136		June 1, 2025	9.00	125
	<b>Total</b>		<b>500</b>		June 1, 2027	8.00	56
					June 1, 2029	5.75	58
<b>July 18, 2007</b>	June 1, 2023	8.00	47	<b>February 6, 2008</b>	<b>Total</b>		<b>300</b>
	June 1, 2025	9.00	127		March 15, 2014	10.25	3
	June 1, 2027	8.00	50		March 15, 2021	10.50	2
	June 1, 2029	5.75	26		June 1, 2021	9.75	3
	<b>Total</b>		<b>250</b>		June 1, 2022	9.25	35
<b>August 1, 2007</b>	June 1, 2013	5.25	125		June 1, 2023	8.00	306
	June 1, 2023	8.00	90		June 1, 2025	9.00	40
	June 1, 2025	9.00	68		June 1, 2029	5.75	11
	June 1, 2027	8.00	73		<b>Total</b>		<b>400</b>
	June 1, 2029	5.75	35		September 1, 2010	4.00	175
<b>August 15, 2007</b>	<b>Total</b>		<b>391</b>	<b>February 20, 2008</b>	June 1, 2015	4.50	60
	June 1, 2010	5.50	29		<b>Total</b>		<b>235</b>
	September 1, 2010	4.00	371				
<b>September 19, 2007</b>	<b>Total</b>		<b>400</b>				
	September 1, 2010	4.00	482				
	June 1, 2011	6.00	18				
	<b>Total</b>		<b>500</b>	<b>Total buybacks on cash basis</b>			
				<b>4,252</b>			



**Reference Table XI (cont'd)**  
*Fiscal 2007–08 Bond Buyback Program Operations*

Buyback date	Maturity date	Coupon rate	Amount (\$ millions)	Buyback date	Maturity date	Coupon rate	Amount (\$ millions)
		(%)				(%)	
<b>Buyback on switch basis</b>							
<b>April 11, 2007</b>	September 1, 2009	4.25	446	<b>Cash management bond buyback</b>			
	October 1, 2010	8.75	1	<b>April 3, 2007</b>	June 1, 2007	3.00	83
	<b>Total</b>		<b>447</b>		September 1, 2007	4.50	392
<b>June 6, 2007</b>	June 1, 2023	8.00	259		<b>Total</b>		<b>475</b>
	June 1, 2027	8.00	100	<b>April 17, 2007</b>	June 1, 2007	3.00	595
	<b>Total</b>		<b>359</b>		June 1, 2007	7.25	102
<b>September 12, 2007</b>	March 15, 2021	10.50	3		<b>Total</b>		<b>697</b>
	June 1, 2021	9.75	2	<b>May 1, 2007</b>	June 1, 2007	3.00	400
	June 1, 2023	8.00	10		September 1, 2007	4.50	575
	June 1, 2025	9.00	50		<b>Total</b>		<b>975</b>
	<b>Total</b>		<b>66</b>	<b>May 15, 2007</b>	June 1, 2007	3.00	40
<b>October 3, 2007</b>	June 1, 2023	8.00	171		June 1, 2007	7.25	40
	June 1, 2025	9.00	175		September 1, 2007	4.50	393
	<b>Total</b>		<b>346</b>		December 1, 2007	2.75	105
<b>October 10, 2007</b>	September 1, 2009	4.25	83	<b>June 12, 2007</b>	<b>Total</b>		<b>578</b>
	September 1, 2010	4.00	247		September 1, 2007	4.50	848
	<b>Total</b>		<b>330</b>		December 1, 2007	2.75	100
<b>November 7, 2007</b>	September 1, 2010	4.00	157	<b>June 26, 2007</b>	<b>Total</b>		<b>948</b>
	October 1, 2010	8.75	4		September 1, 2007	4.50	37
	March 1, 2011	9.00	45	<b>July 10, 2007</b>	<b>Total</b>		<b>37</b>
	June 1, 2011	6.00	100		September 1, 2007	4.50	122
	<b>Total</b>		<b>306</b>		June 1, 2008	3.75	200
<b>January 9, 2008</b>	September 1, 2009	4.25	240	<b>July 24, 2007</b>	<b>Total</b>		<b>322</b>
	October 1, 2009	10.75	8		September 1, 2007	4.50	243
	September 1, 2010	4.00	0	<b>August 7, 2007</b>	<b>Total</b>		<b>243</b>
	March 1, 2011	9.00	22		September 1, 2007	4.50	20
	June 1, 2011	6.00	134	<b>September 4, 2007</b>	<b>Total</b>		<b>20</b>
	<b>Total</b>		<b>405</b>		June 1, 2008	3.75	238
<b>March 5, 2008</b>	March 1, 2011	9.00	33		June 1, 2008	6.00	1
	June 1, 2011	8.50	2		June 1, 2008	10.00	11
	March 15, 2014	10.25	30		September 1, 2008	4.25	13
	<b>Total</b>		<b>65</b>	<b>September 18, 2007</b>	<b>Total</b>		<b>263</b>
<b>March 19, 2008</b>	June 1, 2025	9.00	86		December 1, 2007	2.75	425
	June 1, 2027	8.00	25		June 1, 2008	3.75	300
	<b>Total</b>		<b>111</b>		September 1, 2008	4.25	275
<b>Total buybacks on switch basis</b>			<b>2,434</b>		<b>Total</b>		<b>1,000</b>





**Reference Table XI (cont'd)**  
*Fiscal 2007-08 Bond Buyback Program Operations*

Buyback date	Maturity date	Coupon rate	Amount (\$ millions)	Buyback date	Maturity date	Coupon rate	Amount (\$ millions)
<b>October 2, 2007</b>	December 1, 2007	2.75	162	<b>January 8, 2008</b>	June 1, 2008	10.00	0
	June 1, 2008	3.75	85	<b>January 22, 2008</b>	September 1, 2008	4.25	3
	June 1, 2008	6.00	330		December 1, 2008	4.25	361
	June 1, 2008	10.00	25		<b>Total</b>		<b>1,000</b>
	September 1, 2008	4.25	40				0
	<b>Total</b>		<b>642</b>	<b>February 5, 2008</b>	September 1, 2008	4.25	50
<b>October 16, 2007</b>	June 1, 2008	3.75	900	<b>February 19, 2008</b>	<b>Total</b>		<b>50</b>
	September 1, 2008	4.25	100		June 1, 2008	3.75	16
	<b>Total</b>		<b>1,000</b>	<b>March 4, 2008</b>	June 1, 2008	6.00	48
<b>October 30, 2007</b>	December 1, 2007	2.75	558		June 1, 2008	10.00	16
	<b>Total</b>		<b>558</b>		September 1, 2008	4.25	665
<b>November 13, 2007</b>	December 1, 2007	2.75	174		<b>Total</b>		<b>745</b>
	<b>Total</b>		<b>174</b>	<b>Total cash</b>			
<b>December 11, 2007</b>	December 1, 2008	4.25	250	<b>management bond</b>			
	<b>Total</b>		<b>250</b>	<b>buybacks</b>			
<b>December 21, 2007</b>	June 1, 2008	3.75	555				<b>10,976</b>
	June 1, 2008	6.00	158				
	June 1, 2008	10.00	10				
	September 1, 2008	4.25	135				
	December 1, 2008	4.25	143				
	<b>Total</b>		<b>1,000</b>				

Source: Bank of Canada.



**Reference Table XII**  
*Retail Debt Sales, Redemptions and Stock Outstanding*

Fiscal year	Gross sales	Redemptions (\$ billions)	Net change	Outstanding at fiscal year end
1983–84	11.6	-5.9	5.7	38.4
1984–85	12.7	-9.0	3.8	42.2
1985–86	15.1	-12.7	2.4	44.6
1986–87	9.2	-9.2	0.0	44.6
1987–88	17.5	-8.5	8.9	53.5
1988–89	15.0	-20.4	-5.5	48.1
1989–90	9.3	-16.2	-6.8	41.2
1990–91	6.7	-13.2	-6.5	34.7
1991–92	9.6	-8.4	1.2	35.9
1992–93	9.2	-10.4	-1.2	34.7
1993–94	5.4	-8.5	-3.1	31.6
1994–95	7.5	-7.6	-0.1	31.5
1995–96	4.6	-4.6	0.0	31.5
1996–97	5.7	-3.7	2.1	33.6
1997–98	5.0	-7.7	-2.8	30.8
1998–99	4.8	-7.0	-2.2	28.6
1999–00	2.7	-4.2	-1.5	27.1
2000–01	3.2	-3.7	-0.5	26.6
2001–02	2.7	-5.0	-2.3	24.3
2002–03	3.5	-4.9	-1.4	22.9
2003–04	2.9	-4.2	-1.4	21.5
2004–05	2.0	-4.2	-2.3	19.2
2005–06	1.9	-3.6	-1.8	17.5
2006–07	1.8	-4.1	-2.3	15.2
2007–08	1.9	-4.0	-2.1	13.1

Note: Figures are in accordance with Bank of Canada audited reports, which may vary from Public Accounts reports due to differences in classification.

Source: Bank of Canada.



**Reference Table XIII**

*Crown Corporation Borrowings as at March 31*

<b>Borrowings from the market</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
						(\$ millions)					
Export Development Canada	10,077	12,967	16,888	18,406	20,481	20,375	17,178	16,191	13,730	15,533	16,743
Canadian Wheat Board <sup>1</sup>	6,698	6,786	542	425	397	378	12	6	0	0	0
Business Development Bank of Canada	3,839	4,223	4,723	5,102	5,726	6,263	7,302	7,432	7,898	8,256	8,025
Farm Credit Canada	3,026	4,317	5,083	5,695	7,096	8,082	9,209	10,181	11,133	12,182	9,624
Canada Mortgage and Housing Corporation	9,934	10,633	10,801	11,672	11,372	11,091	10,441	9,573	8,953	9,071	8,907
Canada Housing Trust <sup>2</sup>					7,928	20,248	39,269	57,518	77,840	96,547	127,566
Petro-Canada Ltd.	443	471	338	0	0	0	0	0	0	0	0
Canada Ports Corporation	3	79	69	0	0	0	0	0	0	0	0
Canada Post Corporation	n/a	n/a	150	56	63	114	108	71	64	61	58
Other	258	222	46	44	40	39	45	36	79	132	119
<b>Total</b>	<b>34,278</b>	<b>39,698</b>	<b>38,640</b>	<b>41,400</b>	<b>53,103</b>	<b>66,590</b>	<b>83,564</b>	<b>101,008</b>	<b>119,697</b>	<b>141,782</b>	<b>171,042</b>

<sup>1</sup> Effective December 31, 1998, the Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the Financial Administration Act.

<sup>2</sup> The Canada Housing Trust has been included in the government reporting entity effective April 1, 2005, as a result of the application of a new accounting standard.

**Borrowings from the Consolidated Revenue Fund<sup>1</sup>**

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
						(\$ millions)					
Business Development Bank of Canada	0	0	0	0	0	0	0	0	0	0	995
Canada Mortgage and Housing Corporation	6,708	6,298	6,152	5,925	5,696	5,476	5,255	5,062	4,860	4,805	4,450
Canada Deposit Insurance Corporation	395	0	0	0	0	0	0	0	0	0	0
Farm Credit Canada	1,877	1,041	805	578	0	0	0	0	0	0	3,827
Other	179	121	77	84	104	38	62	61	127	97	133
<b>Total</b>	<b>9,159</b>	<b>7,460</b>	<b>7,034</b>	<b>6,587</b>	<b>5,800</b>	<b>5,514</b>	<b>5,317</b>	<b>5,123</b>	<b>4,987</b>	<b>4,902</b>	<b>9,405</b>

Note: Figures do not include "allowance for valuation."

<sup>1</sup> Figures have been adjusted to include accrued interest.

Source: *Public Accounts of Canada*.

