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Terms and Conditions for Term Loan Facility (TLF)

Bank of Canada/Central Bank of Canada/La Banque du Canada

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Terms and Conditions for Term Loan Facility (TLF)

Effective 19 November 2008 to 28 October 2009

Operational details

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

- Direct Participants in the Large Value Transfer System (LVTS).
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Type of auction

- Single-price auction for a fixed quantity of Canadian dollars. All winning bids will pay the rate at the cut-off yield (minimum accepted yield).
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Minimum bid rate and amount

- The minimum bid rate is 25 basis points above the overnight target rate (Bank Rate).
 - The minimum bid amount is \$5 million, with increments of \$1 million.
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Bidding process

- Maximum number of bids per participant is two.
 - Bids must be submitted on a yield basis, up to 2 decimal places.
 - Additional details to be announced with each operation.
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Maximum allocation

Each bidder has a bidding limit based on its credit rating:

- for LVTS participants with a credit rating of A or higher, the bidding limit is 25 per cent of the amount auctioned;
 - for LVTS participants with a credit rating of BBB or lower, or for those LVTS participants without a credit rating, the bidding limit is 12.5 per cent of the amount auctioned.
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Allocation mechanism

- Funds are allocated to all bids at or above the cut-off yield (minimum accepted yield).
 - Bids at the cut-off yield will be pro-rated and allocated to \$ thousands.
 - All winning bids per participant will be combined into a single transaction for purposes of final settlement.
-

Timing of results

- Winning bidders will be notified by phone following the allotment. Summary results will be published on the Bank of Canada website on the auction date.
-

Eligible collateral

- The non-mortgage loan portfolio, as accepted temporarily in the Standing Liquidity Facility (SLF). For more information, see [Bank of Canada Initiative to Allow Substitution of Canadian-Dollar Non-Mortgage Loan Portfolio for Current LVTS Collateral](#)
 - Only the portion of the non-mortgage loan portfolio value that is not included in the High Availability Banking System (HABS) collateral pool is eligible.
 - If sufficient non-mortgage loan portfolio value is not available outside the HABS collateral pool, the successful bidder must submit a request to the Bank for a release of value from the collateral pool no later than the day prior to the settlement date.
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Collateral margin

- The Bank will assign a collateral value of 60 per cent of the reported value of the non-mortgage loan portfolio, implying a margin requirement of 40 per cent.
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Collateral requirements

- Collateral must be sufficient to cover the principal value of the term loan, plus the accrued interest over the term.
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Settlement

- One business day following the auction (T+1).
 - Before funds are advanced to winning bidders, they must submit a term loan application to the Bank. The application must be received before noon on the settlement date.
 - Settlement of funds will be via a credit into the LVTS participant's General Sub-account. Funds will be released from the General Sub-account upon receipt of payment instructions.
-

Maturity date

The term loan must be repaid in full (principal and interest) to the Bank of Canada by 12:00 ET on the maturity date of the loan.

Settlement instructions for repayment of the term loan to the Bank:

- **Bank Institution Code:** BCANCAW2
 - **Account:** 177-9
 - **Reference:** TLF Advance Repayment
-

Legal arrangements

- Eligible counterparties must have made the appropriate legal arrangements with the Bank of Canada, including those necessary for the Bank to take an assignment of the non-mortgage loan portfolio and amendments to the existing Loan Facility Agreement.
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Interest calculation

- Interest on the funds will be calculated on a fixed, non-compounded rate on an actual/365-day basis.
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Right of refusal

- The Bank of Canada reserves the right to accept or reject any or all bids, in whole or in part.
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Amendments

- The Bank of Canada reserves the right to change the terms of subsequent TLF auctions by posting a revised version of these Terms and Conditions.