



# Addendum 1

## GLOSSARY

### Acronyms

ALCO	Asset/Liability Committee
ALM	Asset Liability Management
BA	Banker's Acceptance
BDC	Business Development Bank of Canada
BOC	Bank of Canada
BP	Basis Point
C\$ or CAD	Canadian Dollars
CB	Canada Bond
CDOR	Canadian Dollar Offered Rate
CDS	Canadian Depository for Securities Ltd.
CF	Consolidated Fund
CFE	Centralized Funding Entity
CHT	Canada Housing Trust
CIBC WM	Canadian Imperial Bank of Commerce World Markets
CLI	Canadian LIBOR
CMB	Canada Mortgage Bond
CMHC	Canada Mortgage and Housing Corporation
COF	Cost of Funds
CP	Commercial Paper
CPB	Canada Premium Bonds
CPP	Canada Pension Plan
CRF	Consolidated Revenue Fund
CSB	Canada Savings Bond
CUSIP	Committee on Uniform Securities Identification Procedures
CWB	Canadian Wheat Board
EDC	Export Development Canada
Ex-Im	Export-Import
FAA	Financial Administration Act
FCB	Farm Credit Banks
FCC	Farm Credit Canada
FF	Federal Funds (overnight rate)

**GLOSSARY**

FH or FHLMC	Federal Home Loan Mortgage Corporation (“Freddie Mac”)
FHLB	Federal Home Loan Bank
FN or FNMA	Federal National Mortgage Association (“Fannie Mae”)
GOC or Government	Government of Canada
GSE	Government Sponsored Entity
JPY	Japanese yen
ISDA	International Swaps and Derivatives Association
LIBOR	London Inter-Bank Offered Rate
LT	Long term
MM	Money market
MO	Month
MT	Medium term
MTN	Medium term note
NLF	National Loans Fund
NPV	Net present value
OTR	Off-the-run
PSAB	Public Sector Accounting Board
SEC	Securities and Exchange Commission
SEK	Swedish kroner
SOX	Sarbanes-Oxley Act
ST	Short term
SW	Swap
T-Bills	Treasury bills
UST or TSY	US Treasury
US	United States (of America)
US\$ or USD	US dollars
USLI	US LIBOR
UST	US Treasury
UK	United Kingdom

## GLOSSARY

### Terms and Phrases

(Sources: [www.investopedia.com](http://www.investopedia.com), [www.in-the-money.com](http://www.in-the-money.com))

Arbitrage	The simultaneous purchase and selling of an asset in order to profit from a differential in the price.
Basis point	A unit for measuring a bond's yield that is equal to 1/100 <sup>th</sup> of 1% of yield.
Basis swap	An exchange of interest rates at two different points along the yield curve.
Bid-offer spread	The difference between the bid and the ask prices of a security or asset.
Counterparty risk	The risk to each party of a contract that the counterparty will not live up to their contractual obligations.
Credit risk	The possibility of a loss occurring due to the financial failure to meet contractual debt obligations.
Cross-currency swap	A swap that involves the exchange of principal and interest in the currency for the same in another currency.
Derivative	A security whose value depends on the performance of an underlying security or asset.
Interest rate swap	A deal between banks or companies where borrowers switch floating rate loans for fixed rate loans in another country. These can be either the same or different currencies.
Off-the-run securities	All Treasury bonds and notes issued before the most recently issued bond or note of a particular maturity.
Repurchase Agreements	A form of short term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day.
Short position	The selling of a borrowed security, commodity or currency.
Spread	The difference in the yield, expressed in basis points, of a security relative to the underlying yield of it's comparable government benchmark.
Structured notes	A hybrid security that attempts to change its profile by including additional modifying structures.



## Addendum 2

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	Annual Report	2004
	Counterparty Credit Risk Policy for the Business Development Bank of Canada. As approved at the Board of Directors' meeting of October 23 and 24, 2002.	October 23 and 24, 2002
	Issuance of Debt Obligation (April 1, 2004 – March 31, 2005). Resolution of the Board of Directors. To be approved at the Board of Directors Meeting of April 28, 2004	April 28, 2004
	Liquidity Risk Policy for the Business Development Bank of Canada	October 18, 1999
	Treasury Investment Policy for the Business Development Bank of Canada.	April 18, 2001
	Prospectus. Business Development Bank of Canada - US\$1,000,000,000 Euro Medium Term Note Programme.	August 8, 2003
	Organization chart.	Undated
	Summary of Corporate Plan.	Fiscal 2004-2008
	Corporate Plan 2006 – 2010	April 2005
	Paradis, Denis. Letter to The Honourable Lucienne Robillard.	March 30, 2004
	Resolution of the Board of Directors of BDC in relation to the Issue and Sale of Euro and Medium Term Notes.	Undated
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	Amended Corporate Plan	Fiscal 2005 – 2009
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	Business Development Bank of Canada Act	November 3, 2004

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	Title/Document	Date
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<b>Bank of Canada</b>		
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	The Federal Government's Use of Interest Rate Swaps and Currency Swaps.	2000-2001
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	Hendry, Scott and King, Michael R. The Efficiency of Canadian Capital Markets: Some Bank of Canada Research.	Summer 2004
	Kennedy, Sheryl. Canada's Capital Markets - How Do They Measure Up?	Summer 2004
	The Bank of Canada Securities-Lending Program: Terms and Conditions.	September 30, 2002
	Terms and Conditions Governing the Morning Auction of Receiver General Cash Balances.	September 4, 2002
	Consolidated Crown Corporations Quarterly Report	September 30, 2004
	The Federal Government's Use of Interest Rate Swaps and Currency Swaps	Winter 2000-2001
	Review of the Government of Canada Debt Distribution Framework	October 2004
	Anderson, Stacey and Lavoie, Stephane. The Evolution of Liquidity in the Market for Government of Canada Bonds	Summer 2004
<b>Canada Housing Trust</b>		
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	Graph depicting CMB 5 Year Spreads.	Undated
	Evaluation of Borrowing Framework.	Undated

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	Creation of Canada Housing Trust (CHT) & Master Agreements.	April 2004
	Financial Services Agreement between CIBC Mellon Trust Company, as trustee on behalf of Canada Housing Trust N <sup>o</sup> 1 as trust, and Canada Mortgage and Housing Corporation as Financial Services Advisor.	April 9, 2001
	Administration Agreement between CIBC Mellon Trust Company, as trustee on behalf of Canada Housing Trust N <sup>o</sup> 1 as trust, and Canadian Imperial Bank of Commerce as Administrator.	April 9, 2001
	CHT Submission in Response to KPMG Interview – Follow-up.	February 2005
	CIBC World Markets presentation	February 1, 2005
	Canada Mortgage Bonds - New Product and Funding Developments	February 2005
	Canada Mortgage Bonds – Securitization Operations	February 1, 2005
	Canada Mortgage Bonds – Overview of the CMB Program	February 2005
<b>Canada Mortgage and Housing Corporation</b>		
	Offering Circular.	September 15, 2004
	Legal Processes on Individual Transactions.	April 2004
	Canada Mortgage Bonds Information Kit.	Undated
	Canada Mortgage Bonds Media Fact Sheet.	2001
	Monthly Risk Management Report.	September 2004
	Summary of the Corporate Plan.	2004-2008
	“D. Borrowing and Investment Plan”.	Undated
	Annual Report.	2003
	Canada Mortgage and Housing Corporation Form 18-K December 31, 2003.	June 10, 2004
	Evaluation of Borrowing Framework.	Undated



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	Bailey, Karen. Letter re response submission.	February 24, 2005
	CMHC Submission in Response to KPMG Interview – Follow-up.	February 2005
	Overview of CMHC's Treasury	January 2005
	Lending Activity Third and Fourth Quarters Strategy 2004	July 2004
	Bevilacqua, Maurizio. Letters re approvals and standing authorities re issuances	2004
	Prospectus Supplement re US Bonds due Dec 1, 2008	November 13, 2003
	Funding, Investment and Risk Management Policies	March 2004
	Organization charts	November, 2004
	Quarterly Risk Management ALCO Report	June 30, 2004
<b>Canadian Wheat Board</b>		
	Letter from Secretary of State, Finance re approval to enter into banking arrangements, etc.	Undated
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	Office of the Auditor General Special Audit Report to Board of Directors	February 27, 2002
	"Appendix A" Financial Risk Management Policies	Undated
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	Tables re Wheat Board Notes Year-to-Date Summary, USCP Program, ECP Program	September 30, 2004
	FRMC Meeting Agenda and attachments	November 12, 2004
	2002-2003 Annual Report	2002-2003

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	Letter to Minister of Finance re CWB Borrowing Plan	June 4, 2004
	Excerpts from 2002-2003 Report to Farmers	2002-2003
	Goldman Sachs & Co. Commercial Paper Memorandum re CWB ratings	May 14, 2002
	Long term Plan 2003 - 2008	June 2003
	CWB Organizational Chart	October 15, 2004
	CWB Organizational Chart – Finance and Accounting	November 2004
	Office Consolidation of Canadian Wheat Board Act	November 1, 1999
	Letter to Minister of Finance re CWB Borrowing Program for the three months of July through September 2004	November 4, 2004
	Statistics Canada – Balance of Payments Division CWB Statement of Liabilities	September 2004
	Letter from Secretary of State re approval to borrow for period August 1, 2003 to July 31, 2004	Undated
	Office of the Auditor General Special Audit – Managing Financial Operations	November 13, 2001
	Report of Financial Risk Management – Notional Exposures Outstanding by Instrument and Counterparty	September 30, 2004
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	Letter from Minister of Finance to Secretary of State re authorized to approved CWB banking arrangements	Undated
	Overview of CWB's Borrowings	November 9, 2004
	Letter and attachments re borrowing programs July to Sept 2004.	November 4, 2004
	Comparisons of CWB's weighted average cost of Euro Commercial Paper	Jan 00 to Feb 05
	Comparisons of CWB's weighted average cost of Cdn Commercial Paper	January 2000 to February 2005

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	Treasury Operations Report	September 30, 2004
	Credit Exposure Data	September 30, 2004
	Euro Commercial Paper Programme Information Memorandum	December 31, 1998
	Euro Medium Term Note Programme Offering Circular	October 30, 2003
	Summary of CWB Funding and Investing Activity for 2003/04	2004
	Forecast of CWB Funding and Investing Activity for 2004/05	2004
	Short Term Promissory Notes Information Memorandum	September 7, 2000
	EMTN Pricing Matrix	March 21, 2005
	CWB Sample Financial Risk Management Report	January 31. 2005
<b>EDC</b>		
	2004 – 2008 Corporate Plan Summary	March 2004
	2003 Annual Report	2003
	EDC Fact Sheet (re ratings, etc.)	Undated
	EDC's Form 18K dated April 26, 2004	April 28, 2004
	Export Development Act, RS, c.E-20	December 21, 2001
	2004 Investor Presentation	2004
	News Release re JCR affirming rates on EDC notes	November 12, 2004
	Standard & Poors report "Sovereigns"	October 28, 2003
	Treasury Organization Chart	October 2004
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	Prospectus Supplement (to prospectus dated June 27, 2002)	May 25, 2004
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<b>Farm Credit Canada</b>		
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	2000-01 to 2004-05 Corporate Plan Summary	2000-01 to 2004-05
	2001-02 to 2005-06 Corporate Plan Summary	2001-02 to 2005-06
	2002-03 to 2006-07 Corporate Plan Summary	2002-03 to 2006-07
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	2004-05 to 2008-09 Corporate Plan Summary	2004-05 to 2008-09
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<b>Canadian Federal</b>	
	Treasury Board of Canada Secretariat: <a href="http://www.tbs-sct.gc.ca">www.tbs-sct.gc.ca</a> Office of the Auditor General for Canada: <a href="http://www.oag-bvd.gc.ca">www.oag-bvd.gc.ca</a>
<b>Canadian Provincial</b>	
	Ontario Financing Authority: <a href="http://www.ofina.on.ca">www.ofina.on.ca</a> Government of Ontario: <a href="http://www.gov.on.ca">www.gov.on.ca</a> Ontario Strategic Infrastructure Financing Authority - <a href="http://www.osifa.on.ca">www.osifa.on.ca</a> Financement - Québec : <a href="http://www.finances.gouv.gc.ca">www.finances.gouv.gc.ca</a> Alberta Finance: <a href="http://www.finance.gov.ab.ca">www.finance.gov.ab.ca</a> Provincial Treasury of British Columbia: <a href="http://www.fin.gov.bc.ca">www.fin.gov.bc.ca</a> Municipal Finance Authority of British Columbia: <a href="http://www.mfa.bc.ca">www.mfa.bc.ca</a>
<b>Canadian Other</b>	
	E-Bond: <a href="http://www.ebond.ca">www.ebond.ca</a> Tricycle Asset Management: <a href="http://www.3-wheeler.com">www.3-wheeler.com</a>
<b>International</b>	
	World Trade Organization: <a href="http://www.wto.org">www.wto.org</a> Euronext Liffe: <a href="http://www.euronext.com">www.euronext.com</a> Euromoney Magazine: <a href="http://www.euromoney.com">www.euromoney.com</a> Moody's Investor Service: <a href="http://www.moody.com">www.moody.com</a>
<b>Australia/New Zealand</b>	
	Australian Office of Financial Management: <a href="http://www.aofm.gov.au">www.aofm.gov.au</a> Australia Department of the Treasury: <a href="http://www.treasury.gov.au">www.treasury.gov.au</a> Axiss Australia: <a href="http://www.axiss.com.au">www.axiss.com.au</a> Reserve Bank of Australia: <a href="http://www.rba.gov.au">www.rba.gov.au</a> New Zealand Debt Management Office: <a href="http://www.nzdmo.govt.nz">www.nzdmo.govt.nz</a>
<b>France</b>	
	Agence France Trésor: <a href="http://www.aft.gouv.fr">www.aft.gouv.fr</a> Caisse d'amortissement de la dette sociale: <a href="http://www.cades.fr">www.cades.fr</a>

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<i>Japan</i>	
	Ministry of Finance Japan: <a href="http://www.mof.go.jp/english">www.mof.go.jp/english</a> Japan Bank for International Cooperation: <a href="http://www.jbic.go.jp">www.jbic.go.jp</a>
<i>Sweden</i>	
	Swedish Export Credit Corporation: <a href="http://www.sek.se">www.sek.se</a> Riksgälds Kontoret: <a href="http://www.rgk.se">www.rgk.se</a>
<i>United Kingdom</i>	
	Government Accounting 2000: <a href="http://www.government-accounting.gov.uk">www.government-accounting.gov.uk</a> Bank of England: <a href="http://www.bankofengland.co.uk">www.bankofengland.co.uk</a> Tagish Ltd.: <a href="http://www.tagish.co.uk">www.tagish.co.uk</a> Debt Management Office: <a href="http://www.dmo.gov.uk">www.dmo.gov.uk</a> HM Treasury: <a href="http://www.hm-treasury.gov.uk">www.hm-treasury.gov.uk</a> Department of Trade and Industry: <a href="http://www.dti.gov.uk">www.dti.gov.uk</a> Public Works Loan Board: <a href="http://www.pwlb.gov.uk">www.pwlb.gov.uk</a>
<i>USA</i>	
	Standard & Poor's: <a href="http://www.standardandpoors.com">www.standardandpoors.com</a> Investing in Bonds: <a href="http://www.investinginbonds.com">www.investinginbonds.com</a> SLM Corporation: <a href="http://www.salliemae.com">www.salliemae.com</a> Government National Mortgage Association: <a href="http://www.ginniemae.gov">www.ginniemae.gov</a> Federal National Mortgage Association: <a href="http://www.fanniemac.com">www.fanniemac.com</a> Federal Home Loan Mortgage Corporation: <a href="http://www.freddiemac.com">www.freddiemac.com</a> Export-Import Bank of the United States: <a href="http://www.exim.gov">www.exim.gov</a> United States Department of the Treasury: <a href="http://www.treasury.gov">www.treasury.gov</a> Federal Farm Credit Banks Funding Corporation: <a href="http://www.farmcredit-ffcb.com">www.farmcredit-ffcb.com</a>



# Addendum 3

## LISTING OF ORGANIZATIONS INTERVIEWED

*Unless otherwise noted, all interviews were conducted in person at the offices of the interviewee. A small number of interviews were held via teleconference.*

*In order to protect the privacy of the individuals involved in the interview process, we have not included their names herein.*

### CLIENTS

Bank of Canada  
Department of Finance

### BORROWERS

Export Development Canada  
Canadian Wheat Board  
Farm Credit Canada  
Business Development Bank of Canada  
Canada Mortgage and Housing Corporation  
Canada Housing Trust

### DEALERS - CANADIAN

BMO – Nesbitt Burns  
CIBC World Markets  
National Bank Financial  
RBC Capital Markets  
Scotia Capital Markets  
TD Securities

### DEALERS - INTERNATIONAL

Citigroup (New York) *(via teleconference)*  
Deutsche Bank (Toronto)  
JP Morgan Canada (Toronto)  
Merrill Lynch Canada (Toronto)  
Merrill Lynch UK *(via teleconference)*

**INVESTORS**

Addenda Capital

British Columbia Investment Management Corp. (*via teleconference*)

Caisse de Dépôt et Placement

Desjardins Asset Management

Investors Group (*via teleconference*)

MFC Global Investment Management (Manulife) (*via teleconference*)

Philips Hager & North (*via teleconference*)

Ontario Teachers Pension Plan (*via teleconference*)

**OTHER**

CDS

Ontario Financing Authority

Standard & Poors (*via teleconference*)



# Addendum 4



**INTERVIEW GUIDE**  
**Review of Borrowing Framework of**  
**Major Federal Government-Backed Entities**

*It should be noted that these interview guides were intended as a springboard for discussion of various topics. Accordingly, interviews typically expanded upon the themes outlined herein.*

	<b>Finance Canada/ Bank of Canada</b>	<b>Borrowers</b>	<b>Dealers &amp; Investors</b>
<b>Part I – Introduction</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Part II – Alternatives</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Part III – Finance Canada/Bank of Canada</b>	<b>X</b>		
<b>Part IV – Borrowers</b>		<b>X</b>	
<b>Part V – Dealers/ Investors</b>			<b>X</b>
<b>Part VI – Individual Borrower Options</b>		<b>X</b>	

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**Interview Guide**

**Location:** \_\_\_\_\_

**Name and Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

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**PART I - INTRODUCTION**

	Comments
<p><b>Introduction</b></p> <ul style="list-style-type: none"><li>▪ KPMG to provide brief reminder of scope and purpose</li><li>▪ This is not an evaluation of individual crown corporations but of their collective group as “the Borrowers”</li><li>▪ Results will be rolled-up for purposes of assessing the various alternatives, including the status-quo</li></ul>	

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**PART II – ALTERNATIVES AND INTERNATIONAL MODELS**

<ul style="list-style-type: none"><li>▪ Discussion of your views of the alternatives listed in the alternatives matrix (previously viewed).</li><li>▪ Consider the various models used around the world.</li><li>▪ Consider particularly the international organizations with a same/similar mandate as yours.</li><li>▪ Do any of these models appear appropriate for Canadian use?</li><li>▪ Any other alternatives that should be considered?</li></ul>	

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#### PART III – Finance Canada/Bank of Canada

Questions to discuss with Department of Finance and the Bank of Canada	
The CHT / CMB program under CMHC is not a borrowing program, but a structured finance vehicle on the program or asset side that creates a competing (cheap) investment alternative to Canada bonds. The borrowing framework alternatives address how to borrow but not why Crowns issue guarantees pursuant to their mandates, in this case, housing finance. Finance and the Borrowing plans do address asset sales and securitization as a source of funds, but not the extension of guarantees on the lending/program/insurance side. The CBT program is a repackaging of existing loans with the addition of the Canada guarantee. Therefore, we need some guidance from Finance on how to handle this as the mandate discussion is out of scope.	
Please clarify: When and if Canada does the borrowing and pass on the funds to the Crowns, will Canada be doing any asset/liability management, i.e., match funding their loans to Crowns?	
Discuss role of the Financial Risk Office <ul style="list-style-type: none"> <li>▪ Interaction with crown corporations</li> <li>▪ Does the FRO set limits?</li> <li>▪ Does it conduct aggregate stress testing to see how the aggregate balance sheet of the Government and borrowers would cope with simulated economic and financial shocks?</li> </ul>	
Uniformity of risk targets and borrowing limits set for each borrower	
Coordination between the Bank of Canada auction schedule and market activities of the borrowers: <ul style="list-style-type: none"> <li>▪ Does the Bank or Department of Finance impose restricted windows where the borrowers cannot access primary markets at the same time as the Bank performs an auction?</li> <li>▪ Otherwise, is there a coordination of issues between the Bank and the borrowers?</li> <li>▪ How does the Bank see the participation of borrowers in the repo markets?</li> </ul>	
How do you, under the current framework, ensure that the various borrowing entities do not operate at cross-purposes in the financial markets?	
Participation of crown corporations to <ul style="list-style-type: none"> <li>▪ Auctions</li> <li>▪ Repo markets</li> </ul>	

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#### PART IV – BORROWERS

<b>Overview of Context</b>	
<p>Could you describe the background that led to establishment of your direct management of borrowing operations for your crown corporation?</p> <ul style="list-style-type: none"> <li>▪ Issues encountered</li> <li>▪ Trends and vision</li> <li>▪ Recent developments</li> <li>▪ Evaluation of impact of decentralization</li> </ul>	
<p>Issues tied to FAA Part X and regulatory regime and statutes</p> <ul style="list-style-type: none"> <li>▪ Discussion of the legislative and Ministerial guidelines under which you operate your borrowing program</li> <li>▪ Issues arising from OAG’s Special Exams</li> <li>▪ Borrowing limits imposed by statutes and constituting laws</li> </ul>	
<b>Borrowing Plan</b>	
<ul style="list-style-type: none"> <li>▪ Process for preparation, review and approval: current practices and framework</li> <li>▪ How do you ensure that your borrowing plan ties in with your corporate business plan strategies?</li> <li>▪ Discuss the key strategies of your borrowing plan (tactics will be covered at a later stage in the interview).</li> <li>▪ What are the scope, depth and breadth of your borrowing strategy?</li> <li>▪ Markets covered</li> <li>▪ Types of instruments</li> <li>▪ Usage of derivatives</li> <li>▪ Counterparties</li> <li>▪ Main investors</li> <li>▪ How did your borrowing strategy evolve over the last 5 years?</li> <li>▪ How do your government support programs (e.g. subsidies, interest rate, buy-downs, equity capitalization assistance, etc.) affect your borrowing strategy?</li> <li>▪ To what extent would you say that you achieved your borrowing plan stated objectives?</li> </ul>	

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<b>Governance</b>	
<ul style="list-style-type: none"> <li>▪ What are the means of reporting to the Minister of Finance and to the Minister responsible for your Crown Corporation?</li> <li>▪ How would you rate the effectiveness of your inter-relationships with the Department of Finance and the Bank of Canada with respect to your treasury and borrowing activities – and what enhancements, if any, would you recommend?</li> <li>▪ Frequency of communications/coordination and interactions with Department of Finance and with Bank of Canada?               <ul style="list-style-type: none"> <li>○ i.e. coordination of timing of issues, size and maturities</li> <li>○ Extent of your input in the design of Ministerial policies governing treasury and financial risk for your borrowing and investment operations</li> </ul> </li> <li>▪ Please describe framework for oversight and approval of your investment and borrowing activities on an ongoing basis.</li> <li>▪ Do you feel that the current framework provides sufficient direction from and accountability to the Ministry of Finance?</li> <li>▪ Please describe the types of reporting and interaction with the Financial Risk Office (FRO) of the Bank of Canada to report your financial risk exposures.</li> <li>▪ Must the FRO approve your risk policies?</li> <li>▪ If not, are these market risk policies approved at senior management level, or at Board of Directors level?</li> <li>▪ Describe the accountability/oversight by your Board of Directors.</li> <li>▪ Is there any level of standardization required from the crown corporations with respect to type of measurement tools, models and reporting on risk?</li> </ul>	
<b>Risk Management</b>	
<p><u>Liquidity:</u></p> <ul style="list-style-type: none"> <li>▪ What do you view as optimal liquidity levels?</li> <li>▪ Are these prescribed by policy?</li> <li>▪ Is this stable over time? Evolution over the last five years.</li> <li>▪ Any issues in managing day-to-day liquidity requirements?</li> <li>▪ Strategy for investing surplus liquidity:</li> </ul>	

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<ul style="list-style-type: none"> <li>○ Authorized instruments and tenor</li> <li>○ Authorized counterparties</li> <li>○ Extent of activity on repurchase agreement market</li> <li>▪ Cash management operations: size and scope</li> </ul>	
<p><u>ALM:</u></p> <ul style="list-style-type: none"> <li>▪ Key limits and controls i.e. <ul style="list-style-type: none"> <li>○ Duration targets</li> <li>○ Refinancing risk</li> <li>○ Correlation of debt servicing costs with non interest income and non interest expenses</li> </ul> </li> <li>▪ Trade-offs between cost of funds and maturity risk</li> <li>▪ Role of ALCO</li> </ul>	
<p><u>Hedging strategies/ usage of derivatives</u></p> <ul style="list-style-type: none"> <li>▪ type of derivatives used</li> <li>▪ Limits and constraints in Borrowing plan, risk policies, accounting regulations</li> <li>▪ Natural hedges?</li> <li>▪ Limits and control of counterparty credit risk</li> <li>▪ Independent valuation of positions</li> </ul>	
<p><u>Market risk:</u></p> <ul style="list-style-type: none"> <li>▪ Global Value at risk or Budget at risk measures and limits</li> <li>▪ Monitoring of compliance with market risk policies and delegation of authority (Who and how?)</li> <li>▪ Interest rate risk</li> <li>▪ Currency risk</li> <li>▪ Equity risk or commodity risk (if any)</li> <li>▪ Stress tests simulating financial shocks</li> <li>▪ Segregation of duties</li> </ul>	
<p><u>Operational risk:</u></p> <ul style="list-style-type: none"> <li>▪ IT risk and other operational risks (such as reputation, legal and fraud risks) related to borrowing and treasury activities – at a high level, could you describe how these risks are addressed?</li> </ul>	
<p><b>Performance</b></p>	
<ul style="list-style-type: none"> <li>▪ What are the key performance measurements and attributes with which you evaluate the efficiency of your borrowing strategy?</li> </ul>	



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<ul style="list-style-type: none"> <li>▪ All-in cost of funds</li> <li>▪ Budgetary stability year over year</li> <li>▪ Who would you define as peers when comparing your performance?</li> <li>▪ Part of your Corporation surpluses generated by Treasury?</li> </ul>	
<b>Interaction with capital markets</b>	
<ul style="list-style-type: none"> <li>▪ Number of dealers and turnover for each major market segment (i.e. domestic, global, derivatives...)</li> <li>▪ Access to the international capital markets</li> <li>▪ Form of remuneration paid (spreads and/or commissions)</li> <li>▪ Types of investors and breakdown of their participation</li> <li>▪ Private/direct placements vs. public capital markets</li> <li>▪ Consultation process with intermediaries and investors</li> <li>▪ In your experience, what is the level of arbitrage done by participants in capital markets between your issues and those of other crown corporations and/or GOC issues?</li> </ul>	
<b>Cost of funds</b>	
<ul style="list-style-type: none"> <li>▪ How do you measure it?</li> <li>▪ Evolution of spreads against comparable GOC benchmarks?</li> <li>▪ What are your debt issuance/retirement costs? Other costs?</li> <li>▪ How did your all-in cost of funds evolve over the last 5 years in parallel with the level of risk – actual, projected, and maximum risk?</li> <li>▪ How do you see your cost of funds going forward? Please elaborate as needed on any structural or tactical intended changes that could explain your projection.</li> </ul>	
<b>Implementation of borrowing plan</b>	
<p><u>Borrowing volume and type of issues/preferred maturities:</u></p> <ul style="list-style-type: none"> <li>▪ Evolution of last five years</li> <li>▪ Projections</li> <li>▪ Main drivers of volume</li> <li>▪ Cost and availability of funds in the domestic and international sovereign debt markets</li> </ul>	

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**PART V – BROKERS/INVESTORS**

Subjects/Questions Common to all Dealers	Comments
<p>Introduction</p> <ul style="list-style-type: none"> <li>▪ KPMG to provide a brief note of scope and purpose of work</li> <li>▪ This is not an evaluation of individual Crowns, but of their collective group as the “Borrowers”</li> <li>▪ Results will be rolled up for the purposes of assessing the feedback from the Dealer community</li> </ul>	
<p>Could you provide a brief description of your firm’s overall approach to Crown Corporations and discuss:</p> <ul style="list-style-type: none"> <li>▪ The significance of their capital markets activity?</li> <li>▪ Their revenue generation?</li> <li>▪ Their ranking within capital markets coverage?</li> </ul>	
<p>Areas of firm involved:</p> <ul style="list-style-type: none"> <li>▪ Capital markets?</li> <li>▪ Government finance?</li> <li>▪ Domestic?</li> <li>▪ International?</li> <li>▪ Retail?</li> </ul>	
<p>Product areas involved:</p> <ul style="list-style-type: none"> <li>▪ Money market?</li> <li>▪ Bonds?</li> <li>▪ MTN’s?</li> <li>▪ Swaps?</li> <li>▪ Securitization?</li> </ul>	
<p>How would you rate the Canadian Fixed Income markets in comparison with those of other G-10 countries ? This comparison could be made in terms of returns and liquidity, given their different perceived credit quality and their efficiency to provide benchmarks for corporate issuers and the markets in general.</p>	

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<b>Subjects/Questions Common to all Dealers</b>	<b>Comments</b>
What is your assessment of: <ul style="list-style-type: none"> <li>▪ Current and historic spreads</li> <li>▪ Domestic and international</li> <li>▪ Floating/fixed</li> <li>▪ Short term/long term</li> </ul>	
Do you have knowledge of other sovereign borrowers with similar/unique borrowing structures?	
Please comment on the following possible alternative borrowing structures: <ul style="list-style-type: none"> <li>▪ Status quo?</li> <li>▪ Fungible plan?</li> <li>▪ CRF draw?</li> <li>▪ Central Agency funding?</li> <li>▪ Debt office?</li> </ul>	
What are the market relationships between crown issuers?	
Please comment on the Canada Mortgage Bonds program. Specifically, what are your thoughts on its: <ul style="list-style-type: none"> <li>▪ Effectiveness?</li> <li>▪ Liquidity?</li> <li>▪ Impact on enhancing mortgage securitization?</li> <li>▪ Prepayment risk?</li> </ul>	
Please comment on Government Bond Market liquidity in Canada and the prospect of: <ul style="list-style-type: none"> <li>▪ increase in borrowing by Central Agency, and/or</li> <li>▪ decrease in market borrowing by crowns</li> </ul> as a result of alternative borrowing structures.	

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**PART VI – INDIVIDUAL BORROWER QUESTIONS**

*[This section deleted due to Borrower confidentiality.]*