Debt Management Report

1999-2000

Canada

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Department of Finance Canada
Ministère des Finances Canada

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Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5
Tel: (613) 943-8665
Fax: (613) 996-0901

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Foreword by the Minister of Finance

The federal government registered a budgetary surplus of $12.3 billion in 1999-2000, the largest ever recorded by the Government. This is also the third consecutive year the Government has recorded a budgetary surplus.

These surpluses, resulting from continued restraint on the spending side and strong economic growth, have allowed the Government to reduce the net public debt by almost $19 billion over the last three years. Net public debt currently stands at $564.5 billion and now represents 58.9 per cent of gross domestic product (GDP) compared to 71.2 per cent in 1995-96. After more than a quarter of a century of deficits, all Canadians can take pride in this remarkable fiscal turnaround.

Yet the fact remains that servicing the debt is the largest spending program of the federal government. For every dollar of revenue it collects, the federal government spends 25 cents to pay interest on the public debt. Although this is a big improvement over the 36 cents the Government was paying in 1996, debt servicing costs still limit the Government's ability to address other priorities such as health care, education and lower taxes.

That is why the *Debt Management Report* is so important. It provides a detailed account of the federal government's debt operations, including the composition of the debt, its distribution, and the mechanisms and activities through which it is prudently managed in the interests of Canadians. This edition of the report, for example, provides details on a number of specific measures aimed at continuing the Government's efforts to maintain transparency, liquidity and efficiency in the market for Government of Canada securities in a declining debt environment and to improve its treasury operations.

Timely and transparent information of this kind enables Canadians to hold the Government accountable for its actions and decisions. It was in this spirit that this Government amended the Financial Administration Act last year, making it mandatory that the *Debt Management Report* be tabled in Parliament every year shortly after the tabling of the Public Accounts of Canada – the Government's financial statements.

The Government remains fully committed to managing the debt prudently to provide stable, low-cost financing for the programs that Canadians value. Continued diligence in the management of public finances is a key plank in the Government's strategy to sustain economic growth so that Canadians can have more jobs, higher incomes and a better quality of life.

The Honourable Paul Martin, P.C., M.P.
Minister of Finance
Ottawa, December 2000

Highlights of 1999-2000

The federal government recorded a third consecutive budgetary surplus in 1999-2000.

- In 1999-2000, the federal government recorded a budgetary surplus of $12.3 billion after surpluses of $3.5 billion in 1997-98 and $2.9 billion in 1998-99.
- Net public debt has declined by $18.7 billion from its peak in 1996-97 to stand at $564.5 billion. At year-end 1999-2000, it stood at 58.9 per cent of GDP, down from its peak of 71.2 per cent in 1995-96.
- The Government spent about 25 cents of every dollar of revenue in 1999-2000 to pay the interest on the public debt. The cost of servicing the debt underscores the importance of prudent debt management.

Net debt and market debt retirements continued.

- As of March 31, 2000, the federal government's market debt totalled $456.4 billion (see Table 1). During 1999-2000, the federal government retired $4.0 billion of its market debt. Since 1997-98 the Government has retired $20.4 billion of market debt.

Table 1
1999-2000 Market Debt Program

	March 31, 1999	Net new issuance	March 31, 2000
		(C$ billions)	
Domestic debt	420.4	-0.1	420.3
Foreign debt	36.0	-3.4	32.6
Canada Pension Plan bonds	4.1	-0.5	3.6
Total market debt	**460.4**	**-4.0**	**456.4**

Note: Numbers may not add due to rounding.
Source: *Public Accounts of Canada*.

A prudent debt structure was maintained.

- The Government maintained the fixed-rate share of the debt stock at two-thirds of total interest-bearing debt. A prudent debt structure protects the Government's fiscal position from unexpected increases in interest rates and limits refinancing risk.
  - Improved sensitivity analysis suggests that this structure provides assurance that the direct impact of most interest rate shocks on the fiscal balance would be contained within the budget framework with a high degree of certainty.

The Government took further steps to support a liquid and efficient market.

- Continuing its efforts to maintain transparency, liquidity and efficiency in the market for Government of Canada securities in a declining debt environment and to improve its treasury operations, the Government took a number of further steps in 1999-2000, including:
  - the bond buyback program was implemented on an ongoing basis, contributing to the maintenance of primary bond market liquidity;
  - a market proposal to remove the ceiling on the reconstitution of government securities was reviewed and approved in June 2000; and
  - a new framework for the investment of the Government's cash balances aimed at broadening participation by investors and enhancing risk management was developed and subsequently published for comment in July 2000.

Debt Management Environment

Fiscal Developments in 1999-2000

The federal government recorded a budgetary surplus of $12.3 billion in 1999-2000.

In 1993-94, the federal deficit stood at $42 billion. The actions taken in the 1994, 1995 and 1996 budgets, coupled with sustained economic growth, resulted in the elimination of the deficit in just four years. In 1997-98, a budgetary surplus of $3.5 billion was recorded, the first surplus in 28 years. This was followed by surpluses of $2.9 billion in 1998-99 and $12.3 billion in 1999-2000.

The 1999-2000 budgetary surplus of $12.3 billion, combined with a net source of funds from non-budgetary transactions of $2.3 billion, produced a financial source (excluding foreign exchange transactions) of $14.6 billion, following a financial source of $11.5 billion in 1998-99. The results for 1999-2000 marked the fourth consecutive year that the federal government recorded a financial source (excluding foreign exchange transactions). Including foreign exchange transactions, primarily relating to supplementing foreign exchange reserves, the net financial source was $7.7 billion for 1999-2000.

Financial requirements/source is a measure of the Government's financial position that is broadly comparable to the measure of budgetary balance used by other major industrialized countries, including the United States. On this basis, Canada is the only Group of Seven (G-7) country to report a financial source for four consecutive years.

The Budgetary Surplus and Financial Source

	($ billions)
Budgetary surplus	12.3
Net source of funds from non-budgetary transactions	2.3
Financial source (excluding foreign exchange transactions)	14.6
Net requirement of funds from foreign exchange transactions	(6.8)
Net financial source	7.7

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made.

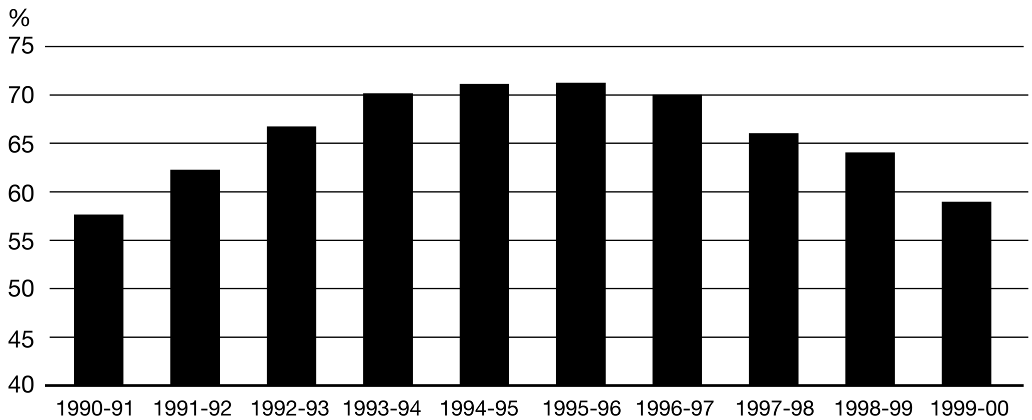
In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. It differs from the budgetary balance in that it includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions.

Note: Numbers do not add due to rounding.

The 1999-2000 budgetary surplus brings the net public debt, as a share of GDP, down to 58.9 per cent.

The budgetary surplus of $12.3 billion recorded in 1999-2000 brings the federal government's net public debt down to $564.5 billion. As a share of GDP, the net public debt dropped to 58.9 per cent from a peak of 71.2 per cent in 1995-96. This ratio is generally recognized as the most appropriate indicator of the debt burden as it measures debt relative to the ability of the Government and the country's taxpayers to finance it. In 1999-2000 alone the net debt-to-GDP ratio declined by 5.1 percentage points, the largest drop since 1948-49. This is the fourth consecutive year in which the debt-to-GDP ratio has declined, and it is at its lowest level since 1990-91 (see Chart 1).

Chart 1
Net Debt-to-GDP Ratio



Source: Department of Finance.

Market Developments in 1999-2000

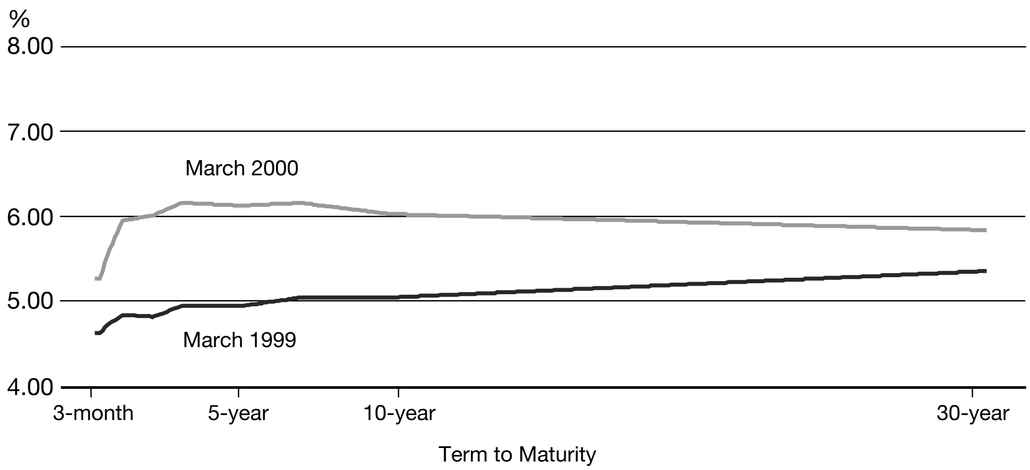
The financial market environment was positive in 1999-2000.

The overall financial market environment was much more stable in 1999-2000 than in 1998-99, a period marked by considerable international uncertainty related to the Asian financial crisis, the Russian debt default and losses at a number of large international investment ("hedge") funds. In Canada, economic growth remained very healthy through 1999-2000, the Canadian dollar rebounded from its record lows of the previous year and inflation remained well within the 1 to 3 per cent target range. Short-term interest rates rose through the latter part of the year as monetary policy became less accommodative as the economy began to approach its estimated capacity. The Bank of Canada raised the target rate for overnight loans three times from 4.5 per cent in November 1999 to 5.25 per cent in March 2000. Short-term interest rates in the United States were increasing over the same period (see Chart 3).

Interest rates rose modestly over the year, in line with a tightening of monetary conditions.

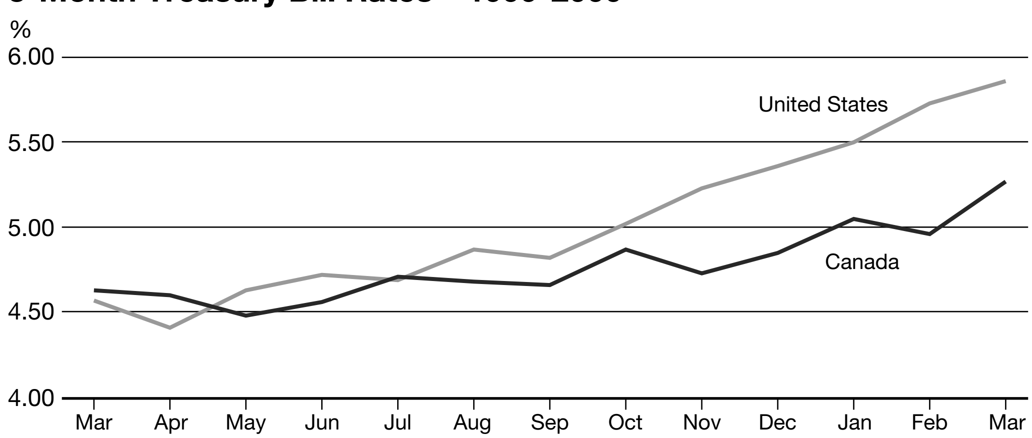
Government yield curves (i.e. the structure of interest rates from short term to long term) in both countries were in the unusual situation of being "inverted" or downward sloping for much of the latter part of the year (for Canada, see Chart 2). This reflected a number of factors, including expectations regarding the direction of monetary policy, concerns about reductions in the supply of government securities in an environment of budgetary surpluses, especially at longer terms to maturity, as well as a high degree of confidence in long-term inflation performance. Canadian interest rates were generally below U.S. interest rates for most of the year (see Charts 3, 4 and 5). Longer-term interest rates increased in both Canada and the United States for most of the year although they began to decline around January 2000 (see Charts 4 and 5).

Chart 2
Canada Yield Curve – March 1999 and March 2000



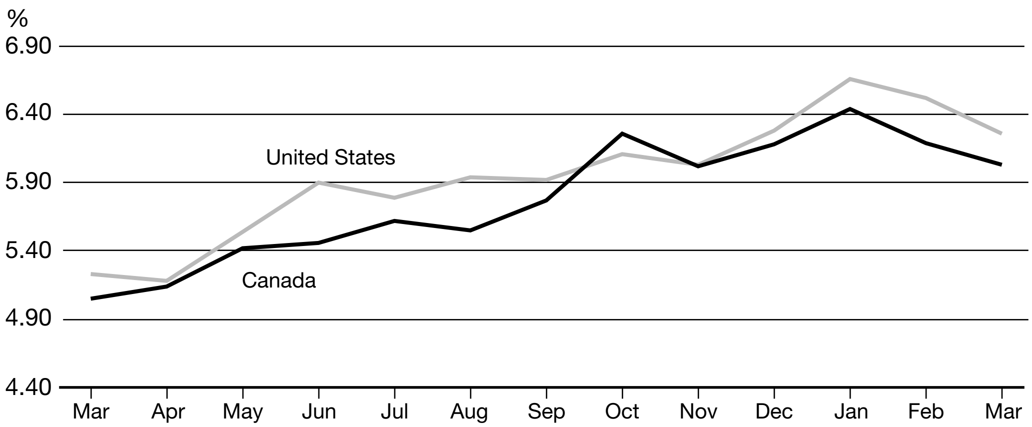
Source: Bank of Canada.

Chart 3
3-Month Treasury Bill Rates – 1999-2000



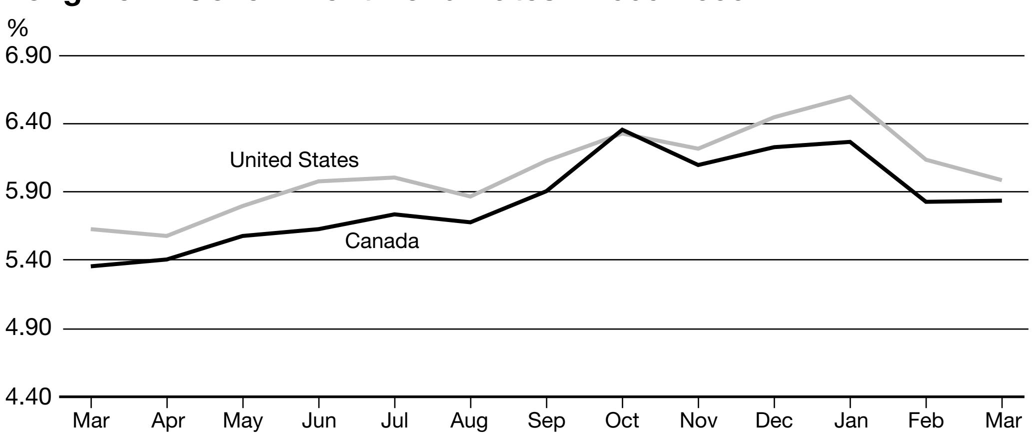
Sources: Bank of Canada and Federal Reserve Board.

Chart 4
10-Year Government Bond Rates – 1999-2000



Sources: Bank of Canada and Federal Reserve Board.

Chart 5
Long-Term Government Bond Rates – 1999-2000



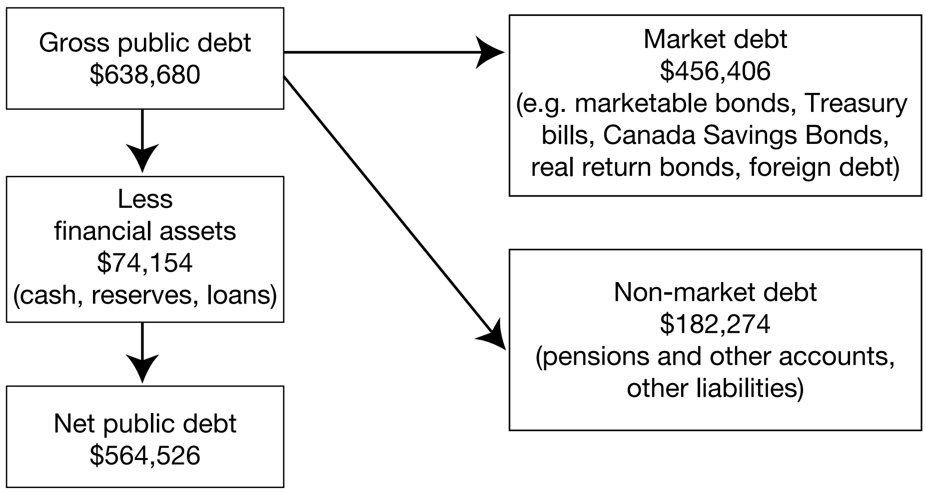
Sources: Bank of Canada and Federal Reserve Board.

Composition of the Federal Debt

Net public debt has declined by $18.7 billion over the past three years.

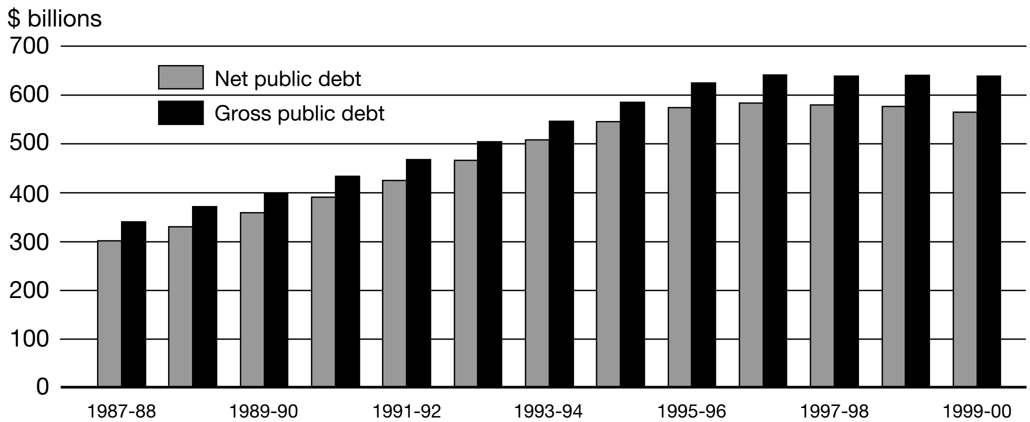
The 1999-2000 budgetary surplus brought the federal government's net public debt – gross public debt net of the Government's financial assets (primarily cash and international reserves) – down to $564.5 billion from $576.8 billion in 1998-99 (see Chart 6). Net public debt has declined by $18.7 billion from its peak in 1996-97.

Total Public Debt as at March 31, 2000
($ millions)



Source: *Public Accounts of Canada.*

Chart 6
Gross and Net Public Debt



Source: *Public Accounts of Canada.*

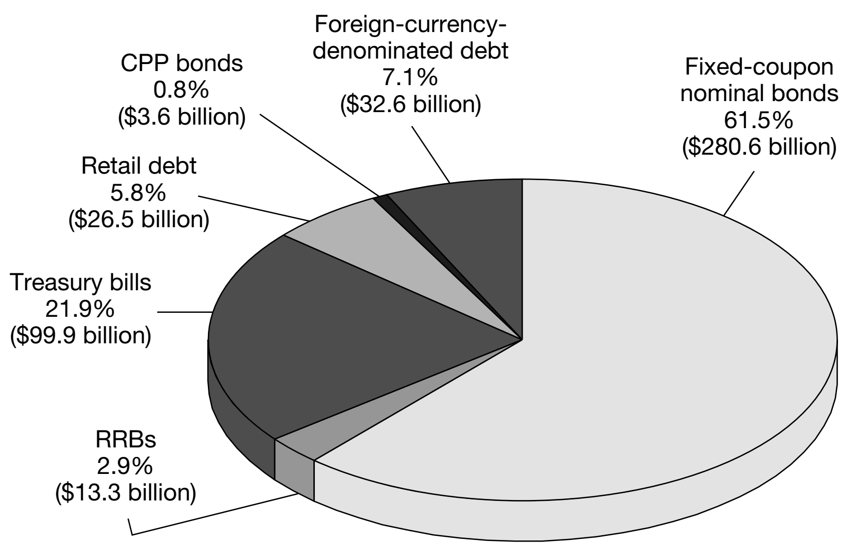
Market debt has declined by $20.4 billion over the past three years.

Gross public debt at the end of March 2000 totalled $638.7 billion. Gross public debt is made up of two major components: market debt and non-market debt. Market debt is the portion of debt that is funded in the public markets. It consists of marketable bonds, Treasury bills, Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs), foreign-currency-denominated bonds and bills, and bonds issued by the federal government to the Canada Pension Plan (CPP). At March 31, 2000, market debt outstanding was $456.4 billion. In 1999-2000, the level of market debt declined by $4 billion. Over the past three fiscal years, $20.4 billion of market debt has been retired. Non-market debt consists of past federal public sector pension liabilities, which are not funded in the public markets, and the Government's current liabilities (such as accounts payable, accrued liabilities, interest and payment of matured debt). At March 31, 2000, non-market debt totalled $182.3 billion.

At March 31, 2000, outstanding market debt comprised $280.6 billion of fixed-coupon nominal bonds, $13.3 billion of real return bonds (RRBs), $99.9 billion of Treasury bills, $26.5 billion of CSBs and CPBs, $3.6 billion of CPP bonds and $32.6 billion of foreign-currency-denominated securities (see Chart 7). In addition, the Government had $2.5 billion of interest-rate swaps and $20.1 billion of cross-currency swaps outstanding as of March 31, 2000. For further information on swaps and other programs, see the section entitled "1999-2000 Debt and Cash Management Operations by Program."

Chart 7
Composition of Federal Market Debt as at March 31, 2000 (excluding swaps)

(Total $456.4 billion)



Note: Numbers may not add due to rounding.
Source: *Public Accounts of Canada.*

Federal Debt Management Strategy: 1999-2000 Initiatives

Debt management objectives were unchanged from prior years.

The fundamental debt management objective is to raise stable, low-cost funding for the Government. Key strategic objectives are to maintain a prudent debt structure, maintain a diversified investor base, and maintain and enhance a well-functioning market for Government of Canada securities. The federal government uses a number of key measures and operational targets to evaluate its debt management performance against these objectives and to guide debt management decisions to achieve them. (*Debt Management Strategy 2000-2001* outlined the debt management plan for 2000-2001 and is available on the Department of Finance Web site at: www.fin.gc.ca.) For background information on the general framework within which the federal debt is managed, see Annex 1.

Strategic Objective

To raise stable, low-cost funding for the Government by:

- maintaining a prudent debt structure;
- maintaining a diversified investor base; and
- maintaining and enhancing a well-functioning market for Government of Canada securities.

Key Operational Measures

- **Fixed-rate share:** The Government manages the debt stock to preserve the average target fixed-rate portion at the two-thirds level in order to provide assurance that the fiscal impact of most interest rate shocks could be contained within the budget-planning framework.
- **Maturity profile:** The Government manages the maturity structure of the debt to ensure that, to the extent possible, the maturity profile is stable over time.
- **Transparency, liquidity and regularity:** In order to maintain a well-functioning domestic market and keep borrowing costs low, the Government focuses on the key aspects of transparency, liquidity and regularity in its debt operations. For this reason, the Government borrows in the market on a regular, pre-announced basis and builds large bond benchmarks, with liquid new issues supported by a bond buyback program.
- **Matching assets and liabilities:** Currency and interest rate risks arising from the management of the Government's foreign exchange reserves are minimized to the extent possible by matching similar currency and duration assets and liabilities.
- **Market efficiency:** The Government closely monitors turnover and transaction costs in the Government of Canada securities market as indicators of liquidity and market efficiency.
- **Best practices:** The Government seeks to ensure that its operational framework and practices are in line with the best practices of other comparable sovereign borrowers.

Maintaining a Prudent Debt Structure

The Government prudently manages its exposure to changes in interest rates and refinancing risk.

Managing a large stock of debt exposes the Government to financial risk arising from changes in interest rates. Exposure to interest rate risk is managed by maintaining a prudent debt structure that balances costs, or annual debt charges, and risks, or the long-term variability in annual debt charges. The capacity of debt managers to assess risk is continually being upgraded in line with the best practices of other sovereigns.

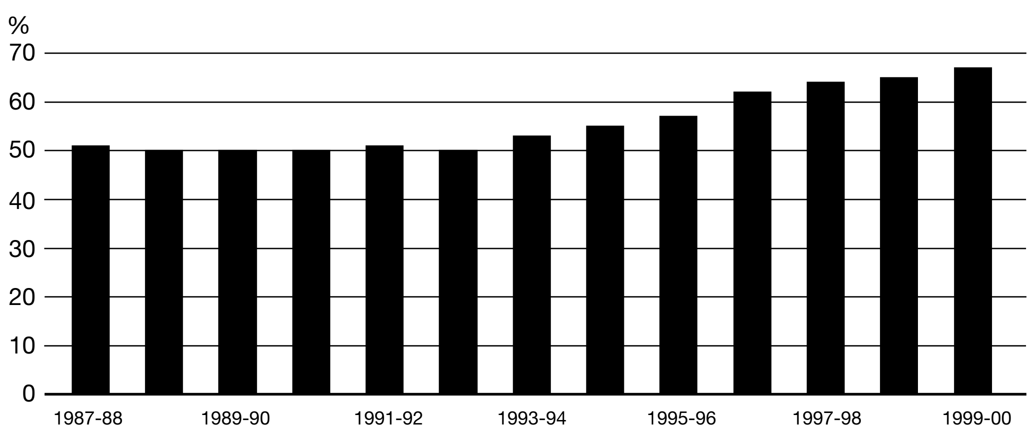
There is generally a trade-off between costs and risks. Costs can be reduced by financing a greater portion of the debt through shorter-term instruments since long-term debt is often more costly than short-term debt. On the other hand, the variability of future debt servicing costs is reduced when the debt is financed largely through long-term instruments, as a smaller portion of the debt matures each year and needs to be refinanced at the then-prevailing market interest rates.

Fixed-Rate Share

A prudent debt structure has a higher component of fixed-rate debt.

Over the 1990s, the Government put in place a more prudent debt structure by altering the term structure of its debt, issuing more long-term debt and reducing the stock of outstanding short-term debt. While there are a number of indicators that can be used to assess the debt structure, the key operational target for the Government is the fixed-rate share. That is, the Government targets the share of interest-bearing debt issued at fixed rates (i.e. debt that does not mature or need to be repriced within a year) relative to the entire interest-bearing debt stock. In moving to a more prudent debt structure, the Government increased the share of the debt stock issued at fixed rates from one-half in 1990 to two-thirds in 1998-99. Over 1999-2000, the debt was managed to preserve the average target fixed-rate portion of the debt at the two-thirds level (see Chart 8).

Chart 8
Fixed-Rate Share of Gross Debt as at March 31



Source: Department of Finance.

Cost/Risk Tradeoff

A prudent debt structure lessens the sensitivity of the budget balance to changes in interest rates.

As noted, there can be a trade-off between the costs and risks related to alternative debt structures. By establishing a more prudent debt structure, the Government has lessened the sensitivity of its underlying budgetary balance to changes in interest rates. However, a higher fixed-rate share of debt gives rise to increased debt servicing costs.

Table 2 provides an illustration of this trade-off using the current debt structure and two alternative debt structures, with 5 per cent more and 5 per cent less fixed-rate debt. It is important to note that the comparisons of alternative debt structures are only indicative because it is impossible to specify what debt issuance decisions would have been taken had the Government been operating with alternative debt targets. Therefore, certain assumptions need to be made regarding the composition of the alternative portfolios. The general approach is to notionally transfer debt between the domestic marketable bond portfolio and the domestic Treasury bill portfolio, which implicitly assumes that any decision to operate with more or less fixed-rate debt would have been reflected in these two portfolios.

As noted in Table 2, the first-year direct impact on the budgetary balance (i.e. the increase in debt service costs net of increased earnings on interest-bearing assets) of a 100-basis-point shock in interest rates in 1999-2000 would be $900 million under the current structure, compared to $1,080 million under a lower fixed-rate share of 62 per cent – some $180 million higher. With a more severe 300-basis-point shock, the degree of protection afforded by alternative debt structures is much larger. For example, debt charges with a 62-per-cent fixed-rate share would be about $540 million higher than with a 67-per-cent fixed-rate share.

The Government's debt strategy is intended to ensure that variability in interest rates could be contained within the fiscal plan over a longer-term horizon.

On the other hand, fixed-rate debt issued since 1996-97 generally paid higher interest rates than Treasury bills paid in 1999-2000, so costs might have been lower by about $190 million[1] in 1999-2000 had the Government not increased the fixed-rate share beyond the 62-per-cent level achieved in 1996-97. Note that this cost differential will vary substantially from year to year based on the term structure of interest rates. The calculations in Table 2, for example, reflect a term structure that has been flatter than historical averages in recent years, which would tend to reduce the cost difference between shorter- and longer-term securities.

It is important to note that these observations merely provide a short-term view of the cost/risk tradeoff. The Government takes a long-term strategic view of the debt portfolio and does not focus solely on the short-term impact of debt management decisions. While the fiscal situation has improved considerably in recent years, the stock of outstanding debt that is exposed to interest rate changes remains very large. A large stock merits prudent attention as adjustments

[1] This is based on the difference between the weighted average yield on fixed-rate bonds issued since April 1997 (about 5.65 per cent) and the weighted average yield on Treasury bills issued during 1999-2000 (about 5.0 per cent). This difference is multiplied by $30 billion, which is equivalent to about 5 per cent of the total interest-bearing debt stock.

to the maturity structure can only be made gradually over time. Medium-term secular increases in interest rates such as those that occurred during the late 1980s have the potential to undermine the Government's fiscal plan. Therefore, the Government's debt strategy is intended to ensure that volatility in interest rates could be contained within the fiscal plan over a longer-term horizon. In general, the Government takes a very prudent approach, a practice that is followed by most other major sovereign borrowers.

Table 2
Sensitivity Analysis of Fixed-Rate Ratio in Early 2000-2001

	First-year impact on debt charges				Debt charges
	100-basis-point shock in interest rates		300-basis-point shock in interest rates		No change in rates
Debt structure	Cost impact	Difference from 67% target structure	Cost impact	Difference from 67% target structure	Difference from 67% target structure
(% fixed)	($ millions)	($ millions)	($ millions)	($ millions)	($ millions)
62%	1,080	180	3,240	540	-190
67%	900	–	2,700	–	–
72%	720	-180	2,160	-540	190

A new measure has been introduced for debt strategy planning purposes.

Cost at Risk Analysis

The Government recently expanded its long-term cost/risk sensitivity analysis capabilities with the introduction of a new measure known as Cost at Risk (CaR). CaR quantifies the risk of the debt stock in terms of debt costs, allowing a comparison of the long-term interest rate risk of alternative debt structures. Calculation of CaR is based on the future interest costs of a given debt stock under numerous different interest rate scenarios. On the basis of these scenarios, a probability distribution of costs can be calculated. Variations of CaR are used by a number of sovereign borrowers to assess the costs and risks associated with different debt structures.

CaR analysis indicates that the two-thirds fixed-rate structure in place on March 31, 2000, provided assurance that unexpected changes in interest rates could be contained within the fiscal plan over a longer-term horizon. CaR over the budget-planning period did not exceed $3 billion – i.e. there is a 95-per-cent probability that debt charges would not exceed average expected debt costs by over $3 billion in any year over the next five fiscal years. This suggests that the direct impact of most interest rate shocks would be contained within the budget framework with a high degree of certainty.

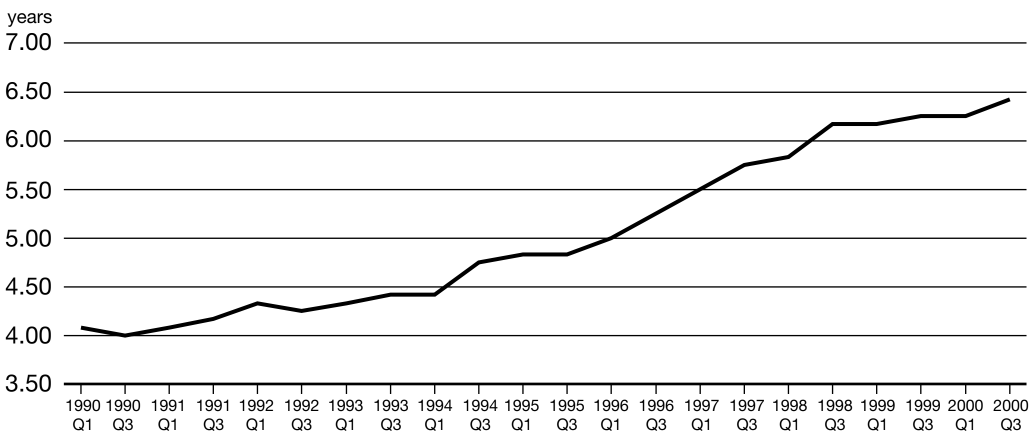
CaR contributes to the Government's debt management decisions by quantifying the risks of alternative debt structures directly in terms of costs. However, unlike other measures such as the fixed-rate share, CaR is not an objective measure. That is, the results depend on the assumptions used to simulate scenarios. In particular, results are very sensitive to the interest rate input. Nevertheless, CaR is an important supplement to established measures such as the fixed-rate share and the maturity profile. The use of CaR in debt strategy planning is still being developed and will be expanded as the techniques are further refined.

Average Term to Maturity

The average term to maturity of the debt increased in 1999-2000.

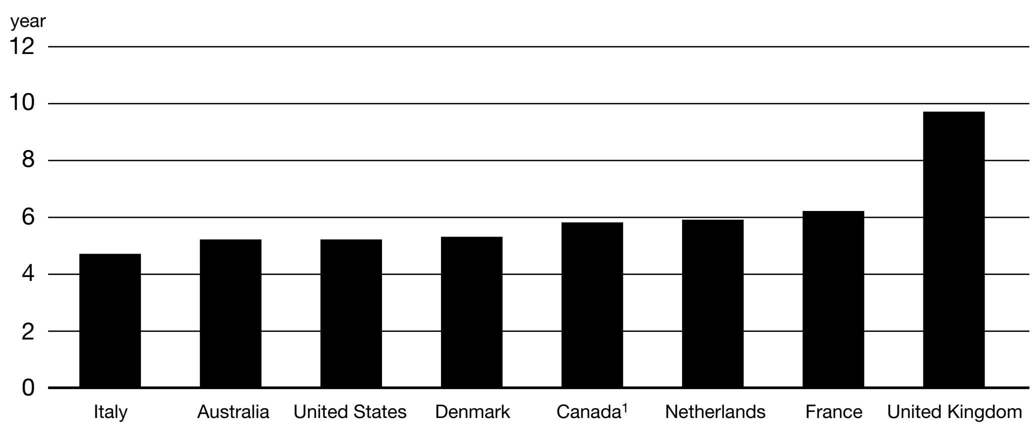
Increasing the fixed-rate component of the debt structure has led to an increase in the average term to maturity of marketable debt from 4.1 years in March 1990 to 6.4 years in March 2000 (see Chart 9). This occurred as the outstanding stock of Treasury bills was reduced and relatively more bonds were issued. These changes have brought the term structure of Canada's debt more in line with the debt structures of many other sovereign borrowers (see Chart 10).

Chart 9
Average Term to Maturity of Marketable Debt



Source: Bank of Canada.

Chart 10
Average Term to Maturity of Government Debt – 1997



[1] Canadian average term maturity is 6.4 years as of March 2000.
Source: Organisation for Economic Co-operation and Development (1997 data).

Maturity Profile

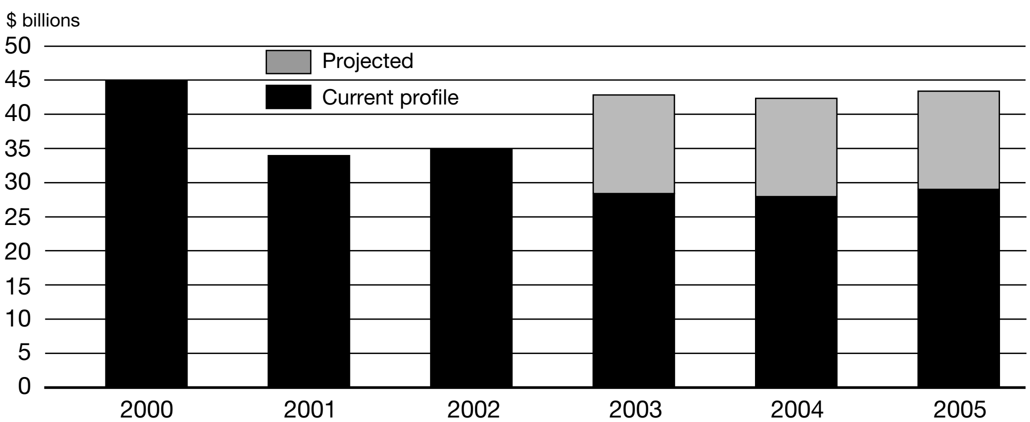
A balanced maturity profile limits the need to refinance a large portion of the debt in a period of higher interest rates.

The Government manages the maturity profile of the debt (i.e. the amount that matures, or comes due, in any given year) to limit its refinancing risk. A stable maturity profile reduces the risk that a relatively large proportion of the debt will mature and need to be refinanced in a period of higher interest rates.

In 1999-2000, for example, some $216 billion of the market debt stock rolled over and was issued at new prevailing interest rates, compared to $422 billion in 1994-95. To a large extent, this reflects the decline in Treasury bill issuance in the late 1990s. The entire stock of Treasury bills matures each year and a substantial portion of, but not all, maturing Treasury bills are reissued. Thus, in 1995, the Government was required to refinance, on average, $8 billion per week in maturing Treasury bills compared to an average of $4 billion per week in 1999. (Treasury bill issuance was changed to biweekly in 1998.)

In addition, as illustrated in Chart 11, initiatives to regularize bond issuance into predictable benchmark securities have led to a gradual smoothing-out of the maturity profile of the bond stock – in particular, the move to building large benchmark bond issues for four maturities of domestic bonds (2-, 5-, 10-year, and long-term) and issuing bonds at regular, quarterly intervals.

Chart 11
Current Maturity Profile of Domestic Bonds



Notes: Excludes Treasury bills. Projections assume future issuance remains at 1999-2000 levels.
Source: Department of Finance.

Maintaining a Diversified Investor Base

A diversified investor base is maintained to help reduce funding costs.

A diversified investor base helps to reduce funding costs. The federal government pursues diversification of its investor base by maintaining a liquid and transparent domestic wholesale debt program that is attractive to investors, and in foreign borrowings through the use of a broad array of sources of funds. In addition, Canada Investment and Savings, the Government's retail debt agency, provides diversification by offering savings products designed to suit the needs of individual Canadians. The retail debt share of the Government of Canada's total market debt was estimated at 21 per cent last year, including estimated individual holdings of marketable securities.

Domestic Holdings of Government of Canada Debt

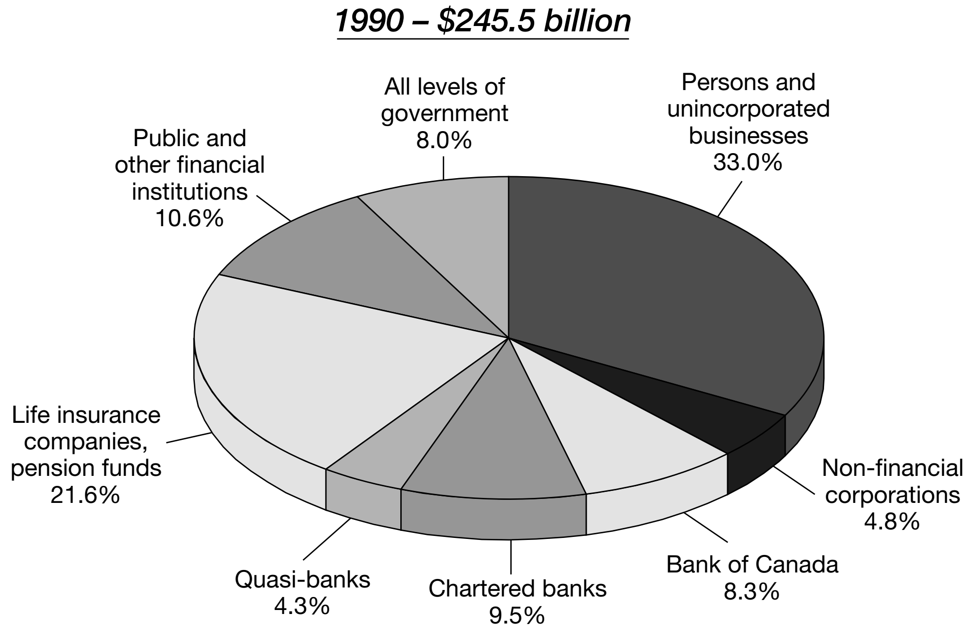
In 1999 (the latest year for which figures are available) life insurance companies and pension funds accounted for the largest share of domestic holdings of Government of Canada market debt (30.6 per cent), followed by public and other financial institutions such as investment dealers and mutual funds (see Chart 12). Taken together, they accounted for 53.5 per cent of domestic holdings.

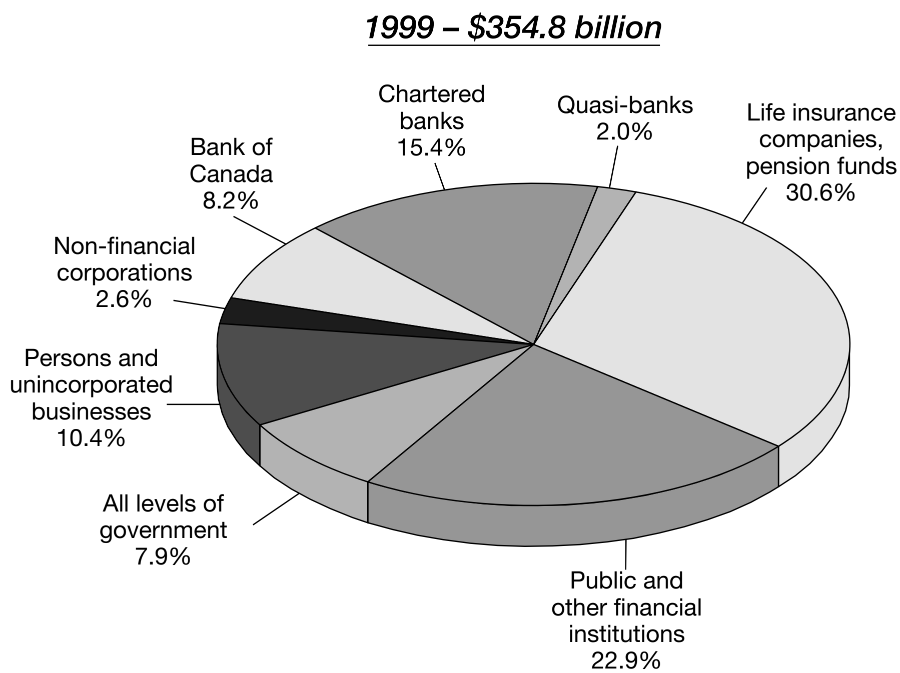
Bonds and bills held by public and other financial institutions increased sharply over the 1990-1999 period – from 10.6 per cent in 1990 to 22.9 per cent in 1999. Much of the increase can be attributed to a significant increase in holdings by mutual funds.

Chartered banks' share of holdings of market debt increased from 9.5 per cent in 1990 to 15.4 per cent in 1999, while the share of persons and unincorporated businesses decreased by almost 23 percentage points since 1990 to 10.4 per cent of domestic holdings.

Reference Table IV shows the evolution of the distribution of domestic holdings of Government of Canada debt since 1976.

Chart 12
Distribution of Domestic Holdings of Government of Canada Market Debt as of December 31





Note: Numbers may not add due to rounding.
Source: Statistics Canada, *The National Balance Sheet Accounts*.

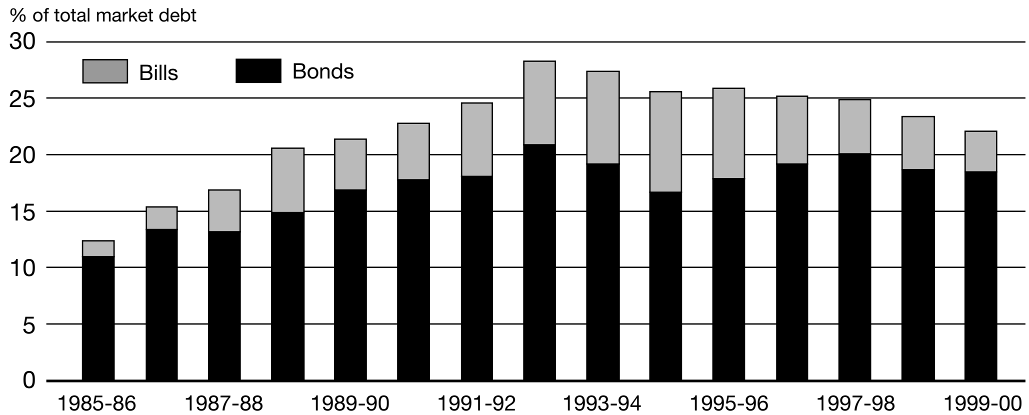
Non-Resident Holdings of Government of Canada Debt

Since 1992-93, the share of total market debt held by non-residents has been steadily declining.

Non-resident holdings of the Government of Canada's total market debt decreased by $6.5 billion in fiscal year 1999-2000. Total non-resident holdings were estimated to be $101.2 billion at the end of March 2000, representing about 22.2 per cent of the Government of Canada's total market debt. Since 1992-93, the share of total market debt held by non-residents has been steadily declining (see Chart 13).

Non-residents held $84.6 billion in government bonds in 1999-2000, a decrease of $1.3 billion from the previous year. Non-resident holdings of bills (Treasury bills and Canada Bills) declined by $5.2 billion over the fiscal year to $16.6 billion (see Reference Table V).

Chart 13
Non-Resident Holdings of Government of Canada Market Debt



Source: Statistics Canada, *Canada's International Transactions in Securities*.

Maintaining a Well-Functioning Market

The Government continues to place emphasis on the principles of transparency, liquidity and regularity.

A well-functioning Government of Canada securities market provides low-cost financing for the federal government by promoting broader participation in the market. Transparency, liquidity and regularity are the principles underlying the maintenance of a well-functioning market. Borrowing in the domestic market on a regular, pre-announced basis and building bond benchmarks reflects these principles. Given the key role played by federal government securities in Canada's fixed-income market, adjustments to the domestic debt programs are made in consultation with market participants. In recent years the Government has made adjustments to its operational framework to enhance the liquidity of the Government of Canada securities market, such as moving to biweekly Treasury bill auctions and reducing the frequency of 30-year bond issuance from quarterly to semi-annually. In 1999-2000, no major adjustments were made to the domestic borrowing programs.

Bond Buyback Program

The bond buyback program was implemented on an ongoing basis as of March 2000.

To enhance the liquidity of Government of Canada securities, a pilot bond buyback program was implemented in 1998-99. The program allows the Government to buy back less liquid, older outstanding bonds, financed through the issuance of replacement current benchmark bonds, thus supporting a liquid new issue bond market.

An evaluation of the pilot, which included feedback from market participants, took place in early 2000. The evaluation indicated that the program has been successful in meeting its stated objectives and has been generally helpful to the market. The repurchase program enabled the Government to conduct larger auctions in both 1998-99 and 1999-2000 than would have resulted in the absence of a buyback program, helping to support the maintenance of liquidity in the primary market for Government of Canada securities. An additional benefit of the program was improved secondary market liquidity as demand increased for previously issued bonds.

As a result, the program was implemented on an ongoing basis as of March 2000.

Stripping and Reconstitution of Bonds

The Government agreed to remove the ceiling on the reconstitution of bonds to enhance liquidity.

In June 1999, the Investment Dealers Association of Canada (IDA) requested that the federal government approve removal of the ceiling on the reconstitution of Government of Canada securities. The ceiling limited the amount of a given bond, held in the Canadian Depository for Securities Limited (CDS), that could be reconstituted to the amount previously stripped.

Stripping involves separating bonds into individual interest and principal payment components, while reconstitution involves collecting individual components to create whole bonds, the opposite of stripping. For example, if two bonds share the same maturity date, an investor could strip the principal component of the second bond and use it to reconstitute synthetically the first bond (with the appropriate stripped coupon cash flows from any stripped bond). Stripping is done to create new investment and risk management opportunities and is used to take advantage of price differences in markets. The effect of the ceiling on reconstitution was essentially to limit the liquidity of the market.

The federal government reviewed the proposal during 1999-2000, a review that included consultations with market participants, and in June 2000 announced its support for the IDA's proposal. This means that where there are two Government of Canada securities with matching maturity dates, market participants will be able to strip one to synthetically recreate the other without being limited by the original issue sizes. The greatest practical benefit will be in cases where smaller, less liquid securities share the same maturity dates as benchmark securities, in which cases additional supply of the benchmark securities can be created. The federal government views this initiative as an additional tool for enhancing liquidity in the Government of Canada securities market, particularly for benchmark securities, and as a complement to the bond buyback program. CDS is currently working on the implementation of the proposal, which is subject to regulatory approval.

Cash Management Framework

The main objectives of the federal government's cash management operations are to ensure that the Government has sufficient cash available to meet its operating and liquidity requirements, and to invest cash in a prudent, cost-effective manner. Currently, the federal government invests its cash balances with a limited number of deposit-taking institutions (participants in the Large Value Transfer System) through a twice-daily auction process.

A proposed revision to the cash management framework has been released.

In 1999-2000, the Department of Finance and the Bank of Canada undertook a review of the investment framework for the Government's domestic cash balances, as part of ongoing efforts to ensure that the Government's financing and investing operations are efficient and cost-effective, and meet the standards of best practices appropriate for a sovereign government. This culminated in a discussion paper entitled "Proposed Revisions to the Rules Pertaining to Auctions of Receiver General Term Deposits," which was released in July 2000. (The document is available on the Internet at the following address: http://www.bankofcanada.ca/en/cash-bal.htm).

The proposals outlined in the paper are designed to increase competition in the Receiver General auction process and to strengthen the management of risks, in particular the credit risks involved in the investment of cash balances. In summary, it is proposed that access to the auctions be opened to all significant players in the domestic money market. Broadening access will likely have a positive effect on returns earned on cash balances and diversify the Government's counterparties. The paper also proposes to introduce a credit risk management system through the use of credit lines, credit ratings and collateral. These proposals will make the market for federal cash balances more transparent, active and competitive, thereby enhancing the efficient functioning of the domestic financial system. In the coming months, the Department of Finance and the Bank of Canada will consult and work with market participants on the implementation of the new framework, scheduled for early 2001.

Auditor General Review of the Debt Management Program

In April 2000, the Office of the Auditor General of Canada tabled as part of its annual *Report of the Auditor General of Canada* to the House of Commons a report on its audit of the Government's debt management program entitled *Managing Canada's Debt: Facing New Challenges*. (The report can be found on the Auditor General's Web site at www.oag-bvg.gc.ca.) This report is the second in recent years on the debt management program (in 1996, the Auditor General released a report entitled *Federal Debt Management*). The objectives of the 1999-2000 audit were to assess the degree to which the Government reviews the performance of its debt management practices against objectives and to assess the adequacy of the program's current governance structures and practices.

The debt management program was examined by the Auditor General, who concluded it is well run.

The report concluded that Canada's debt management program is a well-run operation overall, but highlighted some challenges ahead in a changing debt management environment. These include suggestions that the Government review issues related to the federal debt management governance structure, increased transparency of costs and benefits of debt management decisions, and enhanced performance measurement.

The Government is addressing issues raised by the Auditor General's audit. As a first step, *Debt Management Strategy 2000-01*, released in March 2000, included a more complete discussion of the costs and risks associated with different fixed-rate debt structures. This work has been expanded with this year's *Debt Management Report*, which sets out the key measures and operational targets that the Government uses to assess debt management performance and guide debt management decisions. Also, in 2000, the Government initiated a review of the governance frameworks of comparable sovereign borrowers to determine whether there are best practices that are relevant for Canada.

Collective Action Clauses

Collective action clauses were added to foreign bond documentation to promote international financial stability.

In April 2000, the Government announced that Canada would be adopting collective action clauses in its foreign currency bond and note issues. Collective action clauses in bond contracts facilitate debt restructuring by providing an orderly framework for debtors and creditors. These clauses are an important part of Canada's effort to promote international financial stability and reduce the risk and severity of global financial crises. By adopting collective action clauses, Canada is helping to lead the process of having them adopted by all countries. The wider adoption of collective action clauses was first recommended in the 1996 G-10 report, *The Resolution of Sovereign Liquidity Crises* (the Rey Report), and again in the 1998 report of the G-22 Working Group on the Resolution of Financial Crises.

The documentation governing Canada's two foreign currency note programs (the Canada Note and Euro Medium-Term Note programs) is being modified to ensure that all future issuance under these programs includes collective action clauses. Future global bond issues by Canada will also include these clauses.

Government of Canada Securities Market

Turnover and Liquidity

Levels of turnover and liquidity in the Government of Canada securities market continue to be good.

The Government of Canada securities market has traditionally enjoyed very high levels of efficiency in terms of turnover and liquidity. An efficient Government of Canada securities market contributes to lower interest costs for the federal government and is also of general benefit to the domestic capital market, where federal securities are key benchmarks for pricing and act as hedging tools.

In the aftermath of the Asian crisis in 1998, the Canadian fixed-income market, like all major fixed-income markets around the world, experienced reductions in turnover and liquidity from peak levels of previous years. The decline is a product of many factors. Among those cited by market participants are that institutional investors are generally trading securities less frequently, and fixed-income funds are increasingly managed in a "passive" indexed manner. Moreover, some major trading funds ("hedge funds") have withdrawn completely from the market. Market intermediaries have also generally reduced capital allocations to risk-taking trading activities and are therefore less willing to provide liquidity to the market. The Government of Canada securities market has been affected by these trends.

As a result, bond turnover has declined from an average of 3.7 (equivalent to 3.7 times the outstanding stock) in 1998-99 to 2.9 in 1999-2000. Treasury bill turnover declined from an average of 4.1 in 1998-99 to 3.4 in 1999-2000. Nevertheless, Canada's fixed-income market continues to be one of the most efficient in the world. Indicators of the efficiency, liquidity and depth of the market include tight bid-offer spreads for the various instruments, the large volume of transactions and turnover ratios comparable to those of other G-7 countries, with the exception of the U.S. (see Charts 14 to 17).

Important complements to an efficient Government of Canada securities market are the availability of futures contracts, as well as the ability to strip and reconstitute bonds and enter into repurchase agreements.

Regulatory Developments

Domestic regulators are proposing to enhance the transparency of fixed-income markets.

The Canadian Securities Administrators (CSA) issued a concept release on the regulation of "Alternative Trading Systems" (ATSs) in July 1999 and a subsequent regulatory proposal in July 2000. ATSs are market intermediaries that serve many of the functions of traditional stock exchanges. The rapid development of information technology has caused ATSs to assume a much more prominent role in capital markets than in the past. The CSA policy proposal was aimed at addressing issues related to market fragmentation, price discovery, transparency and regulation.

The Government of Canada responded to the CSA's proposal, raising questions about the potential implications for fixed-income markets. As there are no ATSs currently operating in Canada in the fixed-income market under the proposed CSA definitions, the major impacts of the proposal are with respect to the proposed changes to the transparency rules governing the debt market. Canada now fully meets international standards for government bond market transparency through the CanPX system. The Government is working with the CSA on these important regulatory issues.

Futures

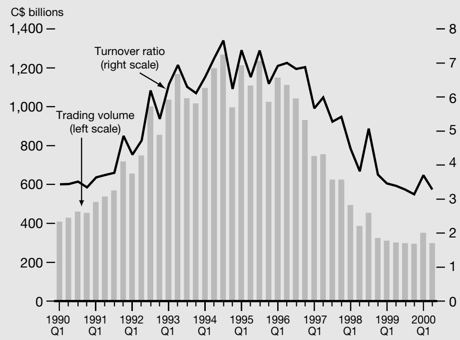
In Canada, the trading volume of futures contracts maintained the levels of previous years. There is an active futures contract based on 3-month bankers' acceptance rates (the BAX contract), as well as 5- and 10-year Government of Canada bond futures contracts (the CGF and CGB contracts). The futures contract on 3-month bankers' acceptances, which is the most actively traded contract on the Montreal Exchange, has become a highly liquid security. In 1997, the value of BAX open interest[2] surpassed the amount of Treasury bills outstanding. Daily BAX trading volume rose 150 per cent to 23,934 contracts between 1996 and 1999, with an average daily open interest of 216,209 contracts. In addition, the open interest of the futures contract on 10-year Government of Canada bonds almost quadrupled from 1993 to 1999.

[2] The total value or number of contracts outstanding at any given time.
Source: the Montreal Exchange.

Government of Canada Securities Market

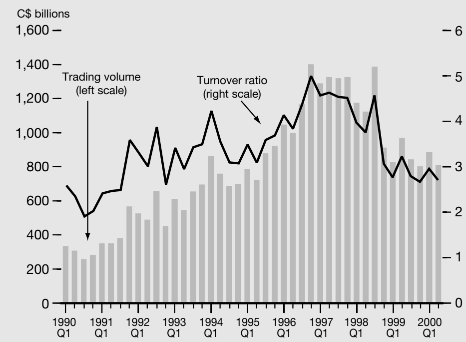
The volume of transactions in the Government of Canada bond market has grown significantly since 1990, but has dropped over the past year. The volume of transactions in the Treasury bill market increased sharply from 1990 to 1995, but has since declined as the stock of Treasury bills outstanding has fallen. In the second quarter of 2000, total Treasury bill turnover was $296.1 billion. The quarterly turnover ratio was 3.3 in the second quarter of 2000 (see Chart 14). Total marketable bond turnover was $807.6 billion in the second quarter of 2000, a 145-per-cent increase from the first quarter of 1990. The quarterly turnover ratio was 2.7 in the second quarter of 2000 compared to 2.6 in the first quarter of 1990 (see Chart 15).

Chart 14
Government of Canada Treasury Bills
Trading Volume and Turnover Ratio



Note: Trading volume is total trading volume in each quarter. Turnover ratio is total trading volume in each quarter/stock.
Source: Bank of Canada.

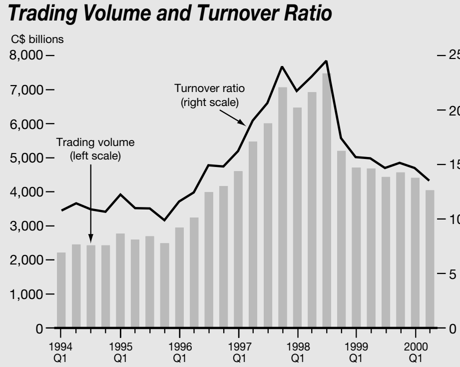
Chart 15
Government of Canada Bonds
Trading Volume and Turnover Ratio



Note: Trading volume is total trading volume in each quarter. Turnover ratio is total trading volume in each quarter/stock.
Source: Bank of Canada.

The significant growth in the trading volume and turnover ratios in the repo market over the past five years provides further evidence of an efficient Canadian government securities market. The total quarterly turnover for Government of Canada bond repos has increased from $2,194 billion in the first quarter of 1994 to $4,031 billion in the second quarter of 2000. Furthermore, the quarterly turnover ratio for bond repos in the second quarter of 2000 was 13.5, up from about 11 in early 1994 (see Chart 16). The Treasury bill repo market is less active than the bond repo market; nevertheless, it is quite efficient, with total quarterly turnover in the second quarter of 2000 at $309.2 billion and a quarterly turnover ratio of 3.4 (see Chart 17).

Chart 16
Government of Canada Bond Repos
Trading Volume and Turnover Ratio



Note: Trading volume is total trading volume in each quarter. Turnover ratio is total trading volume in each quarter/stock.
Source: Bank of Canada.

Chart 17
Government of Canada Treasury Bill Repos
Trading Volume and Turnover Ratio

Note: Trading volume is total trading volume in each quarter. Turnover ratio is total trading volume in each quarter/stock.
Source: Bank of Canada.

1999-2000 Debt and Cash Management Operations by Program

Market debt declined by $4.0 billion in 1999-2000.

This section provides details on the operations of each major debt program (see Table 3). In 1999-2000, the amount of market debt held in short-term instruments, primarily Treasury bills, increased while the amount held in longer-term instruments decreased slightly.

Table 3
Composition of Federal Market Debt, 1999-2000

	March 31, 1999	March 31, 2000	Change
		(C$ billions)	
C$-denominated			
Fixed-coupon bonds	284.1	280.6	-3.5
Real return bonds[1]	11.7	13.3	1.6
Treasury bills	97.0	99.9	2.9
Canada Saving Bonds and Canada Premium Bonds	27.7	26.5	-1.2
Total domestic debt	420.4	420.3	-0.1
Foreign-currency-denominated			
Canada Bills	10.2	6.0	-4.2
Foreign bonds	19.6	21.4	1.8
Canada Notes	1.3	1.1	-0.2
Euro Medium-Term Notes	4.9	4.1	-0.8
Total foreign debt	36.0	32.6	-3.4
CPP bonds and notes	4.1	3.6	-0.5
Total market debt	460.4	456.4	-4.0

Notes: As at March 31, 2000, the total amount of interest-rate and cross-currency swaps outstanding stood at C$22.6 billion (see Reference Table XII). Numbers may not add due to rounding.

[1] Includes consumer price index adjustment.

Source: *Public Accounts of Canada*.

Domestic Debt

A key principle of domestic debt management is that the funding required for the Government's domestic operations is raised in the domestic market.

Fixed-Coupon Marketable Bonds and Bond Repurchase Transactions

Fixed-coupon marketable Government of Canada bonds are issued in Canadian dollars and pay interest semi-annually.

The gross nominal bond program was $44.8 billion in 1999-2000.

In 1999-2000, gross issuance of nominal bonds consisted of $14.2 billion of 2-year bonds, $13.95 billion of 5-year bonds, $12.9 billion of 10-year bonds and $3.7 billion of 30-year bonds. Marketable bonds represent the largest share (61.5 per cent) of the federal government's outstanding market debt (see Chart 7).

The Government repurchased through the bond buyback program $3.3 billion of marketable bonds – $1.1 billion in the 2-year maturity area, $1.1 billion in the 5-year maturity area and $1.1 billion in the 10-year area (see Reference Table X).

Net new issuance of fixed-coupon marketable bonds during the year, taking into account buybacks and maturities, totalled -$3.5 billion (gross issuance less repurchases less maturing issues), bringing the stock of outstanding marketable bonds down to $280.6 billion as at March 31, 2000.

The distribution of the outstanding stock of fixed-coupon marketable bonds at the end of 1999-2000 is shown in Table 4.

Table 4
Outstanding Fixed-Coupon Marketable Bonds as at March 31, 2000

	(C$ billions)
0-2 years	68.7
2-5 years	84.9
5-10 years	62.0
10-30 years	65.0
Total	**280.6**

Source: Bank of Canada.

Real Return Bonds

A total of $1.25 billion in RRBs were issued.

Real return bonds (RRBs), introduced in 1991, provide cost-effective diversification of the marketable bond program for the Government. RRBs are used to diversify the Government's funding sources and serve the needs of investors such as indexed pension funds, which need long-term inflation-protected investments. They are issued via quarterly single-price auctions.

Issuance of RRBs in 1999-2000 totalled $1.25 billion through four auctions, bringing the level of outstanding RRBs to $13.25 billion as at March 31, 2000, including $0.3 billion in consumer price index adjustment (see Reference Table IX).

Treasury Bills

The Treasury bill stock increased by $2.9 billion to $99.9 billion at year end.

Treasury bills with terms to maturity of 3, 6 and 12 months are offered on a biweekly basis. Cash management bills of shorter maturities are issued from time to time to facilitate the management of the Government's cash balances.

The stock of outstanding Treasury bills increased by $2.9 billion during the 1999-2000 fiscal year to a level of $99.9 billion at March 31, 2000 (see Reference Table VI).

Foreign Debt

The Government of Canada borrows in foreign currencies exclusively to raise foreign exchange reserves for the Exchange Fund Account. The Exchange Fund Account is a pool of assets available for use to promote order and stability of the Canadian dollar in the foreign exchange market and for general liquidity purposes. The key objectives of Canada's reserve program are to:

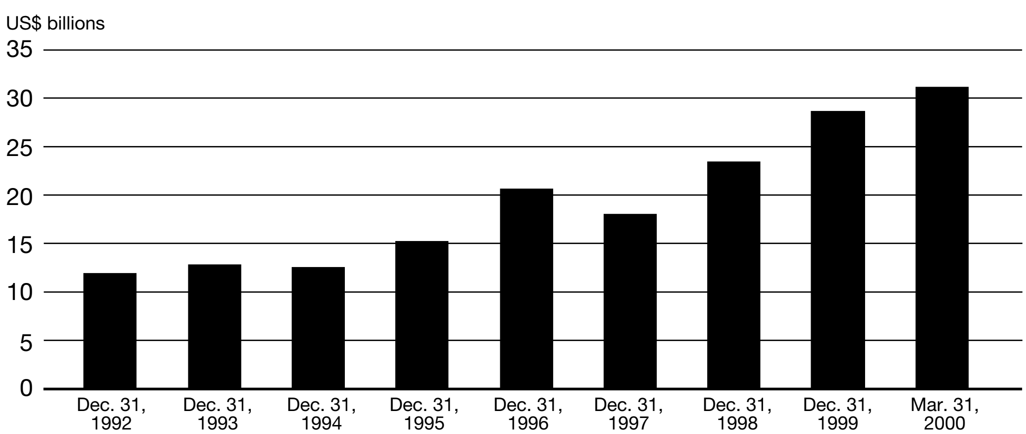
- ensure that an appropriate level of reserves is maintained while minimizing the cost of carrying reserves; and
- immunize to the extent possible currency and interest rate risks by selecting reserve assets that match the liabilities in currency and duration.

Foreign debt operations, primarily in the form of cross-currency swaps, increased international reserves by US$6.1 billion in 1999-2000.

The Government has made a steady effort to increase Canada's international reserves to bring the level more in line with that of comparable sovereigns. Reserves have been increased from US$11.9 billion at December 31, 1992 to US$31.1 billion at March 31, 2000 (see Chart 18). In 1999-2000, international reserves increased by US$6.1 billion, while foreign currency debt fell by US$0.9 billion. Foreign exchange reserves increased as a result of cross-currency swaps of domestic obligations and purchases of US dollars in the spot foreign exchange market. With the increases since 1996, the Government has made substantial progress in meeting its objectives.

Foreign currency liabilities came to exceed liquid foreign currency assets (i.e. cash, deposits and securities) in the Exchange Fund Account in recent years, largely as a result of extensive foreign exchange intervention and important commitments to the International Monetary Fund in 1998. Consistent with the Government's policy of immunizing currency and interest rate risk in Canada's reserve program, the Government is taking steps to bring foreign currency liabilities in line with foreign currency assets.

Chart 18
Canada's International Reserves – December 1992 to March 2000



Sources: Department of Finance; International Monetary Fund, *International Financial Statistics*.

A program of purchases of US dollars was implemented to eliminate the gap between foreign currency liabilities and assets.

In December 1998, the Department of Finance, in collaboration with the Bank of Canada, implemented a program of purchases of US dollars in the foreign exchange markets. The proceeds of sales of Canadian dollars are used to reduce US-dollar-denominated liabilities. This program is conducted by the Bank in its role as fiscal agent for the Government in its management of the federal debt. Purchases of US dollars are small in relation to the large daily flows in foreign exchange markets and are undertaken with sensitivity to market conditions. The objective is to close the gap between foreign currency assets and liabilities over the next few years. When the program was implemented, the gap was some US$13 billion, and substantial progress has been made in closing it: as of March 31, 2000, the gap between foreign currency liabilities (US$36.1 billion) and liquid foreign currency assets (US$27.6 billion) stood at some US$8.5 billion.

As of March 31, 2000, total foreign currency liabilities stood at US$36.1 billion – US$22.9 billion in foreign currency debt and US$13.2 billion in cross-currency swaps (see Table 5). Canada's direct foreign currency debt represents 7.1 per cent of its total outstanding market debt. Taking into account the effect of cross-currency swaps, foreign currency obligations represent 11.4 per cent of total market debt.

Foreign currency debt outstanding consists of Canada Bills, Canada Notes, Euro Medium-Term Notes and foreign bonds, along with swaps of domestic liabilities. 1999-2000 highlights by program are provided below.

Table 5
Foreign Currency Liabilities

	March 31, 1999	March 31, 2000	Change
		(US$ billions)	
Canada Bills	6.7	4.1	-2.6
Canada Notes	0.8	0.7	-0.1
Euro Medium-Term Notes	3.3	3.0	-0.3
Foreign bonds	13.0	15.0	2.0
Total foreign currency debt	23.8	22.9	-0.9
Cross-currency swaps	10.0	13.2	3.2
Total foreign currency liabilities	33.8	36.1	2.3

Note: Numbers may not add due to rounding.

Canada Bills and Canada Notes

Canada Bills, which are short-term promissory notes denominated in US dollars, are issued in the US market as a source of low-cost US dollar funding. The level of outstanding Canada Bills decreased from US$6.7 billion to US$4.1 billion during 1999-2000.

Canada Notes are used as required to raise fixed- and floating-rate funding for terms longer than nine months. The stock of outstanding Canada Notes, which the Government began to issue in March 1996, fell slightly from US$0.8 billion to US$0.7 billion during 1999-2000. There were no new Canada Note issues in 1999-2000.

Euro Medium-Term Notes

In 1999-2000, there were no new EMTN transactions and the total outstanding decreased by US$0.3 billion.

The Euro Medium-Term Note (EMTN) program was introduced in March 1997 to diversify the sources of cost-effective funding for Canada's foreign exchange reserves. Notes issued under the new program can be denominated in a range of currencies and structured to meet investor demand. Obligations are usually swapped to US dollars, the primary currency held in the foreign exchange reserves. In 1999-2000, there were no new EMTN transactions and the total outstanding decreased from US$3.3 billion to US$3.0 billion.

Foreign-Currency-Denominated Bonds

The federal government issued a US$2.0 billion, five-year global bond in November 1999.

At the end of 1999-2000, Canada had US$15.0 billion equivalent in fixed-rate bonds outstanding. The federal government issued a US$2.0-billion, five-year global bond in November 1999. The issue was well received by investors and broadly distributed around the world.

Cross-Currency Swaps

In 1999-2000, the federal government raised US$3.2 billion through cross-currency swaps.

A cross-currency swap is an agreement that exchanges one type of return for another (e.g. a fixed for a floating rate of interest) and the principal amount for the term of the swap. Cross-currency swaps of domestic obligations are a cost-effective alternative to foreign-currency-denominated bond issues, as a means of meeting the Government's targets for longer-term foreign currency funding. In 1999-2000, the federal government raised US$3.2 billion in foreign exchange reserves at cost-effective funding levels by entering into 57 cross-currency swaps. This is a decrease from the previous fiscal year, when the Government entered into 59 cross-currency swaps to raise US$4.7 billion in foreign exchange reserves. The total amount of cross-currency swaps outstanding as at March 31, 2000 stood at US$13.2 billion.

Retail Debt

Retail debt is broadly defined as Government of Canada securities held by individual Canadians, and includes both non-marketable and marketable debt denominated in Canadian dollars. The level of outstanding non-marketable debt – Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs) – decreased from $27.7 billion to $26.5 billion during 1999-2000.

In 1999-2000, the CSBs and the CPBs were concurrently on sale for a second six-month pilot.

In 1999-2000, CSBs and CPBs were concurrently on sale for a second six-month pilot. The CSB featured one-year pricing and cashability of the principal at any time with interest cashable only three months after purchase. The CPB featured longer-term pricing higher than the CSB but with cashability reduced to once a year. Both bonds have registered retirement savings plan and registered retirement income fund options. Introduced in the fall of 1998, the CPB continued to be successful and further diversified the Government's investor base. For further information on retail debt operations, see the Canada Investment and Savings Web site at: http://www.csb.gc.ca/.

Management of the Government's Cash Balances

The level of the Government's daily cash balances averaged $9.0 billion in fiscal 1999-2000, up from $7.1 billion in 1998-99.

Management of the Government's cash balances requires forecasting and monitoring of its daily receipt and disbursement flows, as well as an ongoing borrowing program to refinance maturing debt and maintain the balances at targeted levels. There are inherent and large uncertainties in forecasting daily changes in cash balances, owing to the scope of the Government's financial operations, the operations of the Bank of Canada and changes in market conditions. An adequate level of cash balances must be maintained at all times to meet these operational requirements and provide an appropriate liquidity cushion for the Government's financial operations.

The level of the Government's daily cash balances averaged $9.0 billion in fiscal 1999-2000, up from $7.1 billion in 1998-99.

Cash balances are invested as term deposits with participants of the recently established Large Value Transfer System. These deposits are placed with the institutions through an auction process in order to earn competitive market rates of return. In 1999-2000, earnings on term deposits averaged 4.78 per cent versus 5.06 per cent the previous year.

Annex 1

Federal Debt Management Framework

Legal Authorities

The Financial Administration Act (the "FAA") provides the statutory framework under which the Minister of Finance borrows money for the Government in financial markets. The FAA states that the Minister cannot borrow money without the authority of Parliament. Parliament authorizes the Minister to borrow new funds through borrowing authority acts. The Minister is authorized by the FAA to refinance maturing debt without further parliamentary authority. The Act provides the Minister with the authority to use modern financial and risk management tools and techniques such as interest rate and currency swaps, options, futures and forwards in the conduct of the Government's financial operations and for risk management purposes. In addition, the Act provides the Minister of Finance with legislative authority to establish rules governing the sale of its debt.

In addition to the FAA, the Bank of Canada Act provides statutory authority for the Bank of Canada to act as the Government's fiscal agent. The Currency Act establishes the Exchange Fund Account and provides statutory authority for the Minister of Finance to manage the Account.

Institutional Responsibilities

The Department of Finance, including Canada Investment and Savings (CI&S), the Government's retail debt agency, manages federal market debt in conjunction with the Bank of Canada. The Financial Markets Division of the Department of Finance provides analysis and develops policies and recommendations for the federal government's borrowing programs, for the investment of the Government's cash and reserve assets, and for the management of financial risks.

The Division works with the Bank of Canada, the Government's fiscal agent, on all aspects of debt management. As fiscal agent, the Bank of Canada is specifically responsible for the operational aspects of debt management, e.g. conducting the auctions of government debt, issuing debt instruments, making interest payments and conducting foreign currency borrowing operations. The Bank also has responsibility for monitoring market activities and advising on debt management policy issues, as well as operating the Government's Risk Management Unit.

CI&S is a special operating agency of the Government, and its primary responsibility is the day-to-day management of the Retail Debt Program. CI&S, working in consultation with the Bank of Canada and Financial Markets Division, is responsible for developing the Retail Debt Program's strategic direction and managing the front office aspects of the program.

Domestic Debt Operations

Domestic borrowings are done strategically, i.e. securities are issued on a regular, transparent basis to maximize investor interest and participation. Marketable bonds, real return bonds and Treasury bills are sold via auction, with the Bank of Canada operating as the Government's fiscal agent, to Government of Canada securities distributors and end-investors. Tenders are submitted to the Bank of Canada via the electronic auction system CARS (Communications, Auctions and Reporting System).

Bonds are auctioned on a quarterly basis in the 2-, 5- and 10-year maturities, and on a semi-annual basis in the 30-year maturity. Bonds may be either new maturities, or reopenings of previously auctioned bonds. New issues are generally reopened several times in order to increase the size of the issue to the target benchmark bond size.

The bond auction calendar, setting out details of the planned quarterly issuance of marketable bonds, is published prior to the start of each quarter. Final details, including the amounts to be auctioned, the maturity date, and the amount outstanding in the case of bond reopenings, are released one week prior to the auction.

Bond sales take place via multiple-price auctions, with the exception of real return bonds, which are sold via single-price auctions. Government securities distributors and investors may submit competitive tenders or non-competitive tenders. For multiple-price auctions, competitive bids are accepted in rising order of yield (declining order of price) until the full amount of the issue being auctioned is allotted, while non-competitive bids are allotted at the average of the accepted competitive bids. For single-price auctions of real return bonds, bonds are allotted at the price equivalent of the highest real yield of accepted competitive tenders, plus accrued interest and inflation adjustment.

Treasury bills are sold via auction on a discount basis. Treasury bills with terms to maturity of approximately 3, 6 and 12 months are currently auctioned on a biweekly basis, generally on a Tuesday for delivery Thursday. Under the biweekly issuance pattern, new 3-month Treasury bills are issued at each biweekly auction; new 6- and 12-month Treasury bills are offered in the same week and then reopened once at the next regular auction two weeks later.

The terms for auctions for Government of Canada securities, the terms of participation at auctions and the quarterly bond auction schedule and auction results are available on the Bank of Canada's Web site at: www.bankofcanada.ca.

Domestic Distribution System

The participation of distributors and end-investors at Government of Canada debt auctions is governed by a set of auction rules and terms of participation introduced in October 1998.

There are 25 government securities distributors[3] (GSDs) that participate in the primary distribution of bonds and Treasury bills. All GSDs must be either members or affiliate members of the Investment Dealers Association of Canada (IDA) and have their core trading and sales operation for Government of Canada securities in Canada.

[3] More information on government securities dealers and IDA Policy No. 5 is available on the Bank of Canada's Web site at www.bankofcanada.ca.

Under the auction rules and terms for participants, there are specific bidding limits which apply to GSDs and end-investors at Treasury bill and bond auctions. The limits vary by distributor based on the firms' relative market activity in the primary and secondary market for the securities. Separate bidding limits apply for Treasury bill and bond auctions. All GSDs also have ongoing reporting responsibilities to provide the Bank of Canada with market information involving Government of Canada securities. In addition, all bidders at auction of Government of Canada securities, including customers, must abide by IDA Policy No. 5[4] governing standards for trading of debt securities in Canada.

GSDs that maintain a certain threshold of activity in the primary and secondary market for Government of Canada securities become primary dealers, and form part of the core group of distributors of Government of Canada securities. The primary dealer classification can be attained in either Treasury bills or marketable bonds, or both. Primary dealers assume a number of responsibilities with respect to Government of Canada securities – they must comply with minimum bidding requirements for every auction so as to provide coverage at auctions as a group, and consistently make two-sided markets to a broad customer base.

Foreign Debt Operations

Foreign currency debt is made up of a short-term US-dollar commercial paper program (Canada Bills), two medium-term Note programs (Canada Notes and Euro Medium-Term Notes) and large public bond issues. These securities are issued on an opportunistic basis when required and when market conditions are favourable. The Government also obtains foreign-denominated funding through purchases of US dollars in the spot foreign exchange market and through cross-currency swaps of domestic obligations.

Retail Debt Operations

The Government sells Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs), referred to as non-marketable savings instruments, directly to individuals, or "retail" investors, who are Canadian residents.

Two principal channels are used for direct sales of CSBs and CPBs: the Payroll Savings Program and financial institutions. The Payroll Savings Program allows employees of employers sponsoring the program to purchase CSBs during the sales campaign through payroll deduction.

Canadians can also purchase CSBs and CPBs wherever they bank or invest, including banks and trust companies, investment dealers, savings and loan companies and credit unions. Additionally, Canadians, on a pilot basis, can purchase CSBs and CPBs directly by telephone from the Bank of Canada.

[4] More information on government securities dealers and IDA Policy No. 5 is available on the Bank of Canada's Web site at www.bankofcanada.ca.

Annex 2

Government of Canada Market Debt Instruments

Fixed-Coupon Marketable Bonds

Effective October 1995, Government of Canada marketable bonds are issued in global certificate form only whereby a global certificate for the full amount of the bonds is issued in fully registered form in the name of CDS & Co., a nominee of the Canadian Depository for Securities Limited (CDS). The bonds must be purchased, transferred or sold, directly or indirectly, through a participant of the Debt Clearing Service, which is operated by CDS, and only in integral multiples of $1,000 (face value). Prior to December 1993, Government of Canada bonds were issued in coupon-bearer and fully registered form, and were available in denominations ranging from $1,000 to $1,000,000. Between December 1993 and September 1995, Government of Canada bonds were issued only in fully registered form. All Canadian dollar marketable bonds are non-callable and pay a fixed rate of interest semi-annually.

Treasury Bills

Effective November 1995, all new issues of Treasury bills are issued is global certificate form only whereby a global certificate for the full amount of the Treasury bills is issued in fully registered form in the name of CDS & Co., a nominee of the CDS. Treasury bills must be purchased, transferred or sold, directly or indirectly, through a participant of the Debt Clearing Service, which is operated by CDS, and only in integral multiples of $1,000 (face value). Prior to November 1995, Treasury bills were issued in bearer form and were available in denominations ranging from $1,000 to $1,000,000.

The Government of Canada also periodically issues cash management bills (CMBs). CMBs are Treasury bills with maturities of less than three months (they can be as short as one day) used as a source of short-term financing for the Government. CMB auctions can take place on any business day, typically for next-day delivery, but on some occasions for same-day delivery.

Government of Canada Real Return Bonds

Government of Canada real return bonds (RRBs) pay semi-annual interest based upon a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on RRBs are adjusted for changes in the consumer price index (CPI). The CPI, for the purposes of RRBs, is the all-items CPI for Canada, not seasonally adjusted, published monthly by Statistics Canada. The semi-annual nominal coupon payments are calculated as follows:

coupon payment_i = real coupon rate/2 × (principal + inflation compensation_i) where inflation compensation_i = ((principal × reference CPI_i/reference CPI_{base}) – principal).

Reference CPI for the first day of any calendar month is the CPI for the third preceding calendar month. The reference CPI for any other day in a month is calculated by linear interpolation between the reference CPI applicable to the first day of the month in which such day falls and the reference CPI applicable to the first day of the month immediately following. The reference CPI_{base} for a series of bonds is the reference CPI_i applicable to the original issue date for the series.

At maturity, bondholders will receive, in addition to a coupon interest payment, a final payment equal to the sum of the principal amount and the inflation compensation accrued from the original issue date – i.e. final payment = principal + ((principal x reference $CPI_{maturity}$/reference CPI_{base}) – principal).

These bonds must be purchased, transferred or sold, directly or indirectly, through a participant of the Debt Clearing Service and only in integral multiples of $1,000 (face value).

Canada Savings Bonds

Canada Savings Bonds (CSBs) are offered for sale by most financial institutions in Canada. In addition, a significant number of organizations sponsor the Payroll Savings Program, thus allowing many Canadians to purchase CSBs through payroll deductions.

Except in certain specific circumstances, CSBs can be registered only in the name of residents of Canada. They are available in both regular interest and compound interest forms. For those CSBs which are certificated, denominations range from $100 ($300 for a regular interest bond) to $10,000. All CSBs are non-callable and, except in certain limited circumstances, non-transferable.

CSBs provide minimum guaranteed annual interest rates. The minimum guaranteed annual interest rates will be increased if market conditions warrant, but the bondholder will not earn less than the rates announced for that series for the posted period. CSBs are cashable at any time and, after the first three months, pay interest up to the end of the month prior to encashment. Principal and interest are fully backed by the Government of Canada.

Canada Premium Bonds

The Canada Premium Bond (CPB) was introduced by the Government of Canada in 1998. Like CSBs, CPBs are offered for sale at most financial institutions in Canada.

CPBs offer a higher rate of interest at the time of issue compared to the CSB on sale at the same time, and are redeemable once a year on the anniversary date of the issue and during the 30 days thereafter without penalty. Once an issue date has passed, the announced interest rates for the posted period will not be changed. CPBs are available in both regular interest and compound interest forms. The compound interest bond is available for as little as $100 while the regular interest bond is available starting from $300. Principal and interest are fully backed by the Government of Canada and this bond is non-callable.

Canada Bills

Canada Bills are promissory notes denominated in US dollars and issued only in book-entry form. They mature not more than 270 days from their date of issue and are discount obligations with a minimum order size of US$1,000,000 and a minimum denomination of US$1,000. Delivery and payment for Canada Bills occur in same-day funds through Chase Manhattan Bank in New York City.

Primary distribution of Canada Bills occurs through five dealers:
CIBC Wood Gundy Inc., CS First Boston, Goldman, Sachs & Co., Lehman Brothers and RBC Dominion Securities Inc. Rates on Canada Bills are posted daily for terms of one to six months.

Canada Bills are issued for foreign exchange reserve funding purposes only.

Canada Notes

Canada Notes are promissory notes usually denominated in US dollars and available in book-entry form. Canada Notes are issued in denominations of US$1,000 and integral multiples thereof. At present, the aggregate principal amount outstanding issued under the program is limited to US$10.0 billion. Notes can be issued for terms of nine months or longer, and can be issued at a fixed or a floating rate.

The interest rate or interest rate formula, issue price, stated maturity, redemption or repayment provisions, and any other terms are established by the Government of Canada at the time of issuance of the notes and will be indicated in the Pricing Supplement. Delivery and payment for Canada Notes occur through the Bank of New York.

The notes are offered on a continuous basis by the Government through five dealers: CS First Boston, Goldman, Sachs & Co., Lehman Brothers, Nesbitt Burns Inc. and Scotia Capital Markets. The Government may also sell notes to other dealers or directly to investors.

Canada Notes are issued for foreign exchange reserve funding purposes only.

Euro Medium-Term Notes

Euro Medium-Term Notes (EMTNs) are medium-term notes issued outside the United States and Canada. Government of Canada EMTNs are sold either by dealers in the dealer group, or by dealers who are not in the dealer group but who are acting as the Government's agent for the particular transaction (called reverse inquiry). EMTNs are sold on a bought-deal basis (i.e. the dealer purchasing EMTNs is responsible for the sale of the notes) and on an intermittent basis.

The Arranger for the EMTN program is Morgan Stanley Dean Witter. The London-based dealer group includes CIBC World Markets plc, Goldman Sachs International, J.P. Morgan Securities Ltd., Nomura International, TD Securities, Deutsche Bank, Merrill Lynch International, Morgan Stanley Dean Witter, RBC Dominion Securities and Warburg Dillon Read.

The EMTN program further diversifies the sources of cost-effective funding for the foreign exchange reserves. Notes issued under this program can be denominated in a range of currencies and structured to meet investor demand.

Annex 3

Glossary

benchmark bond: Specific issue outstanding within each class of maturities. It is considered by the market to be the standard against which all other bonds issued in that class are evaluated.

bid: Price a buyer is willing to pay.

bid-offer spread: The difference between bid and offer prices. It is typically measured in basis points (hundredths of a per cent).

budgetary surplus: Occurs when government annual revenues exceed annual budgetary expenditures. A deficit is the shortfall between government revenues and budgetary spending.

Exchange Fund Account: A fund maintained by the Government of Canada for the purpose of promoting order and stability of the Canadian dollar in the foreign exchange market. This function is fulfilled by purchasing foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

financial requirements/source: Measures the difference between the cash coming in to the Government and the cash going out. In the case of a financial requirement, it is the amount of new borrowing required from outside lenders to meet the Government's financing needs in any given year.

foreign exchange reserves: Stocks of foreign exchange assets (e.g. interest-earning bonds) held by sovereign states to support the value of the domestic currency. Canada's foreign exchange reserves are held in a special account called the Exchange Fund Account.

gross public debt: Total amount the Government owes. It consists of both market debt in the form of outstanding securities such as Treasury bills and Canada Savings Bonds, and internal debt owed mainly to the superannuation fund for government employees and other current liabilities.

interest-bearing debt: Consists of unmatured debt, or market debt, and the Government's liabilities to internally held accounts such as federal employees' pension plans.

market debt: For debt management purposes, market debt is defined as the portion of debt that is funded in the public markets, and consists of marketable bonds, Treasury bills, retail debt (primarily Canada Savings Bonds), foreign-currency-denominated bonds and bills, as well as bonds issued to the Canada Pension Plan.

marketable 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.

net public debt: Consists of gross public debt, net of financial assets.

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 and payment of matured debt).

non-marketable debt: Market debt that is not tradable and that is issued to retail investors (Canada Savings Bonds and Canada Premium Bonds).

offer: Price at which a seller is willing to sell.

term structure of interest rates: The levels of interest rates from short- to long-term maturities.

turnover ratio: Volume of securities traded as a percentage of securities outstanding.

Reference Tables

Reference Table I

Gross Public Debt, Outstanding Market Debt and Debt Charges

Fiscal years ending March 31	Gross public debt				Outstanding market debt			
	Outstanding	Fixed-rate portion[1]	Average fixed-rate portion[2]	Total debt charges	Outstanding	Fixed-rate portion	Total debt charges	Average interest rate
	($ billions)	(%)	(%)	($ billions)	($ billions)	(%)	($ billions)	(%)
1985-86	274.8	51.9	0	25.4	201.2	36.7	20.7	10.66
1986-87	308.9	50.9	0	26.7	228.6	36.9	21.5	9.34
1987-88	340.1	51.2	0	29.0	250.8	38.2	23.1	9.61
1988-89	371.5	49.6	0	33.2	276.3	37.2	26.5	10.82
1989-90	397.2	49.9	0	38.8	294.6	38.1	31.4	11.20
1990-91	433.3	50.4	0	42.6	323.9	38.5	34.3	10.72
1991-92	467.4	50.7	0	41.2	351.9	38.9	32.4	8.86
1992-93	503.9	50.4	0	38.8	382.7	39.0	29.4	7.88
1993-94	546.4	53.3	0	38.0	414.0	42.7	28.0	6.75
1994-95	584.8	55.1	0	42.0	441.0	44.4	31.4	7.97
1995-96	624.7	56.9	0	46.9	469.5	47.9	35.3	7.34
1996-97	640.7	61.7	0	45.0	476.9	53.8	33.0	6.66
1997-98	638.5	63.7	0	40.9	467.3	56.8	31.0	6.64
1998-99	640.3	64.5	66.6	41.4	460.4	58.5	30.8	6.70
1999-00	638.7	66.5	66.6	41.6	456.4	59.1	30.5	6.15

Note: Variances in the maturity structure of the debt will cause the fixed ratio to vary modestly on a monthly basis.

[1] After adjusting for non-interest-bearing liabilities. Definition of fixed debt may vary slightly from year to year to accommodate changes in the debt structure.

[2] Comparative figures for prior years are not available.

Sources: *Public Accounts of Canada, Bank of Canada Review*, Department of Finance estimates.

Reference Table II

Government of Canada Outstanding Market Debt

Fiscal years ending March 31	Payable in Canadian dollars: Treasury bills	Marketable bonds	Retail debt	CPP bonds	Total	Payable in foreign currencies: Marketable bonds	Canada Bills	Canada Notes[1]	Standby drawings	Term loans	Total	Total market debt
	(C$ millions)											
1977-78	11,295	21,645	18,036	84	51,060	181	0	0	850	0	1,031	51,664
1978-79	13,535	26,988	19,443	96	60,062	3,319	0	0	2,782	1,115	7,216	66,640
1979-80	16,325	33,387	18,182	113	68,007	3,312	0	0	359	1,030	4,701	72,021
1980-81	21,770	40,976	15,966	136	78,848	3,236	0	0	355	1,046	4,637	83,138
1981-82	19,375	43,605	25,108	154	88,242	3,867	0	0	0	550	4,417	93,167
1982-83	29,125	48,473	32,753	171	110,522	4,872	0	0	0	362	5,234	116,562
1983-84	41,700	56,976	38,403	189	137,268	4,306	0	0	510	398	5,214	142,901
1984-85	52,300	69,354	42,167	205	164,026	4,972	0	0	1,909	1,172	8,053	172,719
1985-86	61,950	81,163	44,607	445	188,165	9,331	0	0	2,233	2,247	13,811	201,229
1986-87	76,950	94,520	43,854	1,796	217,120	9,120	1,045	0	0	2,047	12,212	228,611
1987-88	81,050	103,899	52,558	2,492	239,999	8,438	1,045	0	0	2,257	11,740	250,809
1988-89	102,700	115,748	47,048	3,005	268,501	6,672	1,131	0	0	934	8,737	276,301
1989-90	118,550	127,681	40,207	3,072	289,510	4,364	1,446	0	0	0	5,810	294,562
1990-91	139,150	143,601	33,782	3,492	320,025	3,555	1,008	0	0	0	4,563	323,903
1991-92	152,300	158,059	35,031	3,501	348,891	3,535	0	0	0	0	3,535	351,885
1992-93	162,050	178,436	33,884	3,505	377,875	2,926	2,552	0	0	0	5,478	382,741
1993-94	166,000	203,373	30,866	3,497	403,736	5,019	5,649	0	0	0	10,668	413,975
1994-95	164,450	225,513	30,756	3,488	424,207	7,875	9,046	0	0	0	16,921	440,998
1995-96	166,100	252,411	30,801	3,478	452,790	9,514	6,986	310	0	0	16,810	469,547
1996-97	135,400	282,059	32,911	3,468	453,838	12,460	8,436	2,121	0	0	23,017	476,852
1997-98	112,300	293,987	30,302	3,456	440,045	14,590	9,356	3,176	0	0	27,122	467,291
1998-99	96,950	294,914	28,810	4,063	424,737	19,655	10,171	6,182	0	0	36,008	460,427
1999-00	99,850	293,250	27,115	3,427	423,642	21,464	6,008	5,168	0	0	32,640	456,406

Note: Subcategorization of Government of Canada debt is in accordance with Bank of Canada reports, which may vary slightly from Public Accounts categories due to differences in classification methods. The total outstanding market debt may not equal the sum of the parts due to slight differences between the Bank of Canada's and Department of Finance's numbers.

[1] Includes EMTNs.

Sources: *Bank of Canada Review,* Department of Finance.

Reference Table III

Average Weekly Domestic Market Trading in Government of Canada Securities, April 1999 to March 2000

		Marketable bonds					
	Treasury bills	3 years and under	3 to 10 years	Over 10 years	Real return bonds	Total marketable bonds	Total
				($ millions)			
April 1999	23,921	22,072	32,927	12,483	118	67,600	91,521
May 1999	25,024	30,533	38,873	13,099	206	82,711	107,735
June 1999	20,668	29,419	32,657	10,332	248	72,656	93,324
July 1999	22,153	19,902	26,847	8,963	142	55,854	78,007
August 1999	20,702	26,575	30,375	11,116	181	68,247	88,949
September 1999	24,794	29,433	30,489	8,597	281	68,800	93,594
October 1999	21,812	24,996	30,457	13,613	128	69,194	91,006
November 1999	25,088	26,809	35,593	10,838	420	73,660	98,748
December 1999	21,061	16,584	21,593	7,106	138	45,421	66,482
January 2000	19,177	24,376	26,786	8,493	238	59,893	79,070
February 2000	31,585	26,210	35,933	12,025	217	74,385	105,970
March 2000	29,127	27,907	30,925	9,948	322	69,102	98,229

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

Reference Table IV

Distribution of Domestic Holdings of Government of Canada Securities

PART A – Treasury Bills, Canada Bills, Bonds,[1] Canada Savings Bonds and Canada Premium Bonds

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total[5]
					($ millions)				
1976	17,932	395	8,242	8,666	716	1,436	2,273	730	40,390
1977	20,277	321	10,268	9,601	1,048	2,271	3,114	1,014	47,914
1978	22,737	403	12,001	9,896	1,537	3,738	4,020	1,721	56,053
1979	23,143	374	13,656	10,156	1,684	6,716	4,103	2,878	62,710
1980	24,253	555	15,858	10,002	2,771	9,274	5,561	4,248	72,522
1981	33,125	520	17,100	10,003	2,452	10,569	5,342	4,194	83,305
1982	42,320	2,267	15,428	11,233	3,288	13,151	9,177	4,654	101,518
1983	50,306	5,502	16,859	15,107	5,551	17,816	9,984	5,321	126,446
1984	60,748	6,783	17,184	15,164	4,887	24,039	11,978	7,166	147,949
1985	74,332	7,387	15,668	15,198	5,706	31,068	15,086	10,106	174,551
1986	71,073	6,259	18,374	17,779	7,277	34,887	18,414	11,293	185,356
1987	83,711	8,591	20,201	16,012	6,400	38,870	19,547	13,918	207,250
1988	86,574	8,634	20,606	21,115	7,492	42,460	19,028	17,186	223,095
1989	84,649	11,402	21,133	19,804	9,854	46,037	23,850	17,840	234,569
1990	81,060	11,797	20,325	23,224	10,460	52,984	26,051	19,574	245,475
1991	74,880	11,580	22,370	35,792	12,091	55,846	33,054	21,015	266,628
1992	72,869	13,696	22,607	44,555	12,428	60,042	39,396	20,222	285,815
1993	63,163	10,359	23,498	60,242	11,229	69,917	45,321	16,397	300,126
1994	52,751	12,039	24,902	70,063	9,992	78,559	52,847	24,967	326,120
1995	46,128	12,048	23,590	76,560	10,947	87,484	59,244	26,324	342,325
1996	43,971	10,013	25,556	74,789	10,952	90,231	71,514	24,828	351,854
1997	38,983	10,470	27,198	67,715	7,054	95,102	78,796	25,429	350,747
1998	37,054	8,529	27,911	65,636	6,659	100,056	79,497	23,053	348,395
1999	36,813	9,285	29,075	54,724	7,048	108,582	81,311	27,990	354,828

Reference Table IV *(cont'd)*

Distribution of Domestic Holdings of Government of Canada Securities

PART B – Treasury Bills, Canada Bills, Bonds,[1] Canada Savings Bonds and Canada Premium Bonds

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total[5]
					(%)				
1976	44.40	0.98	20.41	21.46	1.77	3.56	5.63	1.81	100.00
1977	42.32	0.67	21.43	20.04	2.19	4.74	6.50	2.12	100.00
1978	40.56	0.72	21.41	17.65	2.74	6.67	7.17	3.07	100.00
1979	36.90	0.60	21.78	16.20	2.69	10.71	6.54	4.59	100.00
1980	33.44	0.77	21.87	13.79	3.82	12.79	7.67	5.86	100.00
1981	39.76	0.62	20.53	12.01	2.94	12.69	6.41	5.03	100.00
1982	41.69	2.23	15.20	11.07	3.24	12.95	9.04	4.58	100.00
1983	39.78	4.35	13.33	11.95	4.39	14.09	7.90	4.21	100.00
1984	41.06	4.58	11.61	10.25	3.30	16.25	8.10	4.84	100.00
1985	42.58	4.23	8.98	8.71	3.27	17.80	8.64	5.79	100.00
1986	38.34	3.38	9.91	9.59	3.93	18.82	9.93	6.09	100.00
1987	40.39	4.15	9.75	7.73	3.09	18.76	9.43	6.72	100.00
1988	38.81	3.87	9.24	9.46	3.36	19.03	8.53	7.70	100.00
1989	36.09	4.86	9.01	8.44	4.20	19.63	10.17	7.61	100.00
1990	33.02	4.81	8.28	9.46	4.26	21.58	10.61	7.97	100.00
1991	28.08	4.34	8.39	13.42	4.53	20.95	12.40	7.88	100.00
1992	25.50	4.79	7.91	15.59	4.35	21.01	13.78	7.08	100.00
1993	21.05	3.45	7.83	20.07	3.74	23.30	15.10	5.46	100.00
1994	16.18	3.69	7.64	21.48	3.06	24.09	16.20	7.66	100.00
1995	13.47	3.52	6.89	22.36	3.20	25.56	17.31	7.69	100.00
1996	12.50	2.85	7.26	21.26	3.11	25.64	20.32	7.06	100.00
1997	11.11	2.99	7.75	19.31	2.01	27.11	22.47	7.25	100.00
1998	10.64	2.45	8.01	18.84	1.91	28.72	22.82	6.62	100.00
1999	10.37	2.62	8.19	15.42	1.99	30.60	22.92	7.89	100.00

Reference Table IV *(cont'd)*
Distribution of Domestic Holdings of Government of Canada Securities
PART C – Treasury Bills and Canada Bills

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total[5]
					($ millions)				
1976	171	125	1,964	4,219	52	44	515	193	7,283
1977	394	136	2,461	4,949	143	98	1,020	311	9,512
1978	576	198	3,567	5,517	193	261	1,554	519	12,385
1979	785	165	4,345	6,690	65	245	1,550	843	14,688
1980	1,493	288	5,317	7,500	619	460	2,431	1,512	19,620
1981	1,019	369	5,431	8,597	343	560	2,187	1,082	19,588
1982	1,237	1,930	2,483	10,034	1,357	1,244	5,008	1,199	24,492
1983	3,766	5,146	2,595	12,879	3,180	2,587	5,376	1,286	36,815
1984	7,454	6,275	3,515	12,997	2,792	3,876	6,544	2,498	45,951
1985	13,340	6,517	3,985	12,629	3,651	3,924	8,129	4,136	56,311
1986	16,158	4,875	7,967	15,161	4,709	3,592	10,164	3,416	66,042
1987	17,712	7,232	9,682	11,498	3,725	4,806	9,589	5,002	69,246
1988	20,196	7,414	9,945	15,224	5,614	7,648	9,133	7,726	82,900
1989	32,638	9,668	11,124	16,410	8,116	7,664	12,408	9,251	107,279
1990	37,743	10,756	10,574	16,841	8,976	11,737	12,998	9,388	119,013
1991	32,358	10,437	13,093	24,382	9,089	10,386	17,636	10,417	127,798
1992	34,840	11,254	14,634	27,989	9,646	11,639	19,907	8,726	138,635
1993	29,401	9,657	16,876	29,901	9,222	17,085	22,336	5,151	139,629
1994	17,476	8,499	18,973	30,415	6,879	14,385	22,021	10,631	129,279
1995	13,767	9,204	18,298	30,865	7,760	15,321	25,183	10,603	131,001
1996	8,024	8,285	17,593	23,470	5,493	13,530	32,752	6,264	115,411
1997	3,158	6,858	14,233	19,448	3,133	8,956	33,200	4,354	93,340
1998	1,204	6,219	10,729	15,974	2,392	4,570	32,716	1,654	75,458
1999	9,044	6,731	8,584	9,062	2,776	7,443	36,356	2,970	82,966

Reference Table IV *(cont'd)*

Distribution of Domestic Holdings of Government of Canada Securities

PART D – Treasury Bills and Canada Bills

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total[5]
					(%)				
1976	2.35	1.72	26.97	57.93	0.71	0.60	7.07	2.65	100.00
1977	4.14	1.43	25.87	52.03	1.50	1.03	10.72	3.27	100.00
1978	4.65	1.60	28.80	44.55	1.56	2.11	12.55	4.19	100.00
1979	5.34	1.12	29.58	45.55	0.44	1.67	10.55	5.74	100.00
1980	7.61	1.47	27.10	38.23	3.15	2.34	12.39	7.71	100.00
1981	5.20	1.88	27.73	43.89	1.75	2.86	11.16	5.52	100.00
1982	5.05	7.88	10.14	40.97	5.54	5.08	20.45	4.90	100.00
1983	10.23	13.98	7.05	34.98	8.64	7.03	14.60	3.49	100.00
1984	16.22	13.66	7.65	28.28	6.08	8.44	14.24	5.44	100.00
1985	23.69	11.57	7.08	22.43	6.48	6.97	14.44	7.34	100.00
1986	24.47	7.38	12.06	22.96	7.13	5.44	15.39	5.17	100.00
1987	25.58	10.44	13.98	16.60	5.38	6.94	13.85	7.22	100.00
1988	24.36	8.94	12.00	18.36	6.77	9.23	11.02	9.32	100.00
1989	30.42	9.01	10.37	15.30	7.57	7.14	11.57	8.62	100.00
1990	31.71	9.04	8.88	14.15	7.54	9.86	10.92	7.89	100.00
1991	25.32	8.17	10.25	19.08	7.11	8.13	13.80	8.15	100.00
1992	25.13	8.12	10.56	20.19	6.96	8.40	14.36	6.29	100.00
1993	21.06	6.92	12.09	21.41	6.60	12.24	16.00	3.69	100.00
1994	13.52	6.57	14.68	23.53	5.32	11.13	17.03	8.22	100.00
1995	10.51	7.03	13.97	23.56	5.92	11.70	19.22	8.09	100.00
1996	6.95	7.18	15.24	20.34	4.76	11.72	28.38	5.43	100.00
1997	3.38	7.35	15.25	20.84	3.36	9.60	35.57	4.66	100.00
1998	1.60	8.24	14.22	21.17	3.17	6.06	43.36	2.19	100.00
1999	10.90	8.11	10.35	10.92	3.35	8.97	43.82	3.58	100.00

Reference Table IV *(cont'd)*
Distribution of Domestic Holdings of Government of Canada Securities
PART E – Bonds[1]

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total[5]
					($ millions)				
1976	1,277	270	6,278	4,447	664	1,392	1,758	537	16,623
1977	1,690	185	7,807	4,652	905	2,173	2,094	703	20,209
1978	1,926	205	8,434	4,379	1,344	3,477	2,466	1,202	23,433
1979	3,736	209	9,311	3,466	1,619	6,471	2,553	2,035	29,400
1980	4,890	267	10,541	2,502	2,152	8,814	3,130	2,736	35,032
1981	6,759	151	11,669	1,406	2,109	10,009	3,155	3,112	38,370
1982	7,374	337	12,945	1,199	1,931	11,907	4,169	3,455	43,317
1983	6,813	356	14,264	2,228	2,371	15,229	4,608	4,035	49,904
1984	9,906	508	13,669	2,167	2,095	20,163	5,434	4,668	58,610
1985	11,483	870	11,683	2,569	2,055	27,144	6,957	5,970	68,731
1986	9,827	1,384	10,407	2,618	2,568	31,295	8,250	7,877	74,226
1987	10,959	1,359	10,519	4,514	2,675	34,064	9,958	8,916	82,964
1988	11,501	1,220	10,661	5,891	1,878	34,812	9,895	9,460	85,318
1989	8,313	1,734	10,009	3,394	1,738	38,373	11,442	8,589	83,592
1990	7,874	1,041	9,751	6,383	1,484	41,247	13,053	10,186	91,019
1991	5,215	1,143	9,277	11,410	3,002	45,460	15,418	10,598	101,523
1992	2,147	2,442	7,973	16,566	2,782	48,403	19,489	11,496	111,298
1993	1,140	702	6,622	30,341	2,007	52,832	22,985	11,246	127,875
1994	1,764	3,540	5,929	39,648	3,113	64,174	30,826	14,336	163,330
1995	3	2,844	5,292	45,695	3,187	72,163	34,061	15,721	178,966
1996	1,557	1,728	7,963	51,319	5,459	76,701	38,762	18,564	202,053
1997	4,537	3,612	12,965	48,267	3,921	86,146	45,596	21,075	226,119
1998	7,520	2,310	17,182	49,662	4,267	95,486	46,781	21,399	244,607
1999	222	2,554	20,491	45,662	4,272	101,139	44,955	25,020	244,315

Reference Table IV *(cont'd)*

Distribution of Domestic Holdings of Government of Canada Securities

PART F – Bonds[1]

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total[5]
					(%)				
1976	7.68	1.62	37.77	26.75	3.99	8.37	10.58	3.23	100.00
1977	8.36	0.92	38.63	23.02	4.48	10.75	10.36	3.48	100.00
1978	8.22	0.87	35.99	18.69	5.74	14.84	10.52	5.13	100.00
1979	12.71	0.71	31.67	11.79	5.51	22.01	8.68	6.92	100.00
1980	13.96	0.76	30.09	7.14	6.14	25.16	8.93	7.81	100.00
1981	17.62	0.39	30.41	3.66	5.50	26.09	8.22	8.11	100.00
1982	17.02	0.78	29.88	2.77	4.46	27.49	9.62	7.98	100.00
1983	13.65	0.71	28.58	4.46	4.75	30.52	9.23	8.09	100.00
1984	16.90	0.87	23.32	3.70	3.57	34.40	9.27	7.96	100.00
1985	16.71	1.27	17.00	3.74	2.99	39.49	10.12	8.69	100.00
1986	13.24	1.86	14.02	3.53	3.46	42.16	11.11	10.61	100.00
1987	13.21	1.64	12.68	5.44	3.22	41.06	12.00	10.75	100.00
1988	13.48	1.43	12.50	6.90	2.20	40.80	11.60	11.09	100.00
1989	9.94	2.07	11.97	4.06	2.08	45.91	13.69	10.27	100.00
1990	8.65	1.14	10.71	7.01	1.63	45.32	14.34	11.19	100.00
1991	5.14	1.13	9.14	11.24	2.96	44.78	15.19	10.44	100.00
1992	1.93	2.19	7.16	14.88	2.50	43.49	17.51	10.33	100.00
1993	0.89	0.55	5.18	23.73	1.57	41.32	17.97	8.79	100.00
1994	1.08	2.17	3.63	24.27	1.91	39.29	18.87	8.78	100.00
1995	0.00	1.59	2.96	25.53	1.78	40.32	19.03	8.78	100.00
1996	0.77	0.86	3.94	25.40	2.70	37.96	19.18	9.19	100.00
1997	2.01	1.60	5.73	21.35	1.73	38.10	20.16	9.32	100.00
1998	3.07	0.94	7.02	20.30	1.74	39.04	19.12	8.75	100.00
1999	0.09	1.05	8.39	18.69	1.75	41.40	18.40	10.24	100.00

Note: Because of timing and valuation differences, the *National Balance Sheet Accounts* data contained in this table are not necessarily on the same basis as other data elsewhere in this publication (most of the data in this report are on a par value basis – that is, outstanding securities are valued at par). For this reason, although the two sets of data yield very similar information, the data in this table are not strictly comparable with other data in this publication.

1 Includes bonds denominated in foreign currencies.

2 Includes Quebec savings banks, credit unions and caisses populaires, trust companies and mortgage loan companies.

3 Includes investment dealers, mutual funds, property and casualty insurance companies, sales, finance and consumer loan companies, accident and sickness branches of life insurance companies, other private financial institutions (not elsewhere included), federal public financial institutions, and provincial financial institutions.

4 Includes federal government holdings of its own debt, provincial, municipal and hospital holdings, and holdings of the Canada Pension Plan and the Quebec Pension Plan.

5 May not add due to rounding.

Source: Statistics Canada, *The National Balance Sheet Accounts.*

Reference Table V

Non-Resident (Direct) Holdings of Government of Canada Debt

As at March 31	Marketable bonds[1]	Treasury bills and Canada Bills	Total	Total as per cent of total market debt
		(C$ billions)		
1979	5.0	0.9	5.9	8.9
1980	5.6	0.7	6.3	8.7
1981	6.8	1.1	7.9	9.5
1982	8.8	1.1	9.9	10.6
1983	10.0	1.6	11.6	10.0
1984	10.3	2.6	12.9	9.0
1985	14.5	4.6	19.1	11.1
1986	22.1	3.0	25.1	12.5
1987	30.3	4.7	35.0	15.3
1988	33.0	9.3	42.3	16.9
1989	41.3	15.7	57.0	20.6
1990	49.9	13.3	63.2	21.5
1991	57.6	16.1	73.7	22.8
1992	63.6	23.0	86.6	24.6
1993	80.1	28.3	108.4	28.3
1994	79.3	34.0	113.3	27.4
1995	73.7	39.2	112.9	25.6
1996	84.1	37.7	121.8	25.9
1997	91.5	28.7	120.2	25.2
1998	94.1	22.4	116.5	24.9
1999	85.9	21.8	107.7	23.4
2000	84.6	16.6	101.2	22.2

Note: Numbers may not add due to rounding.

[1] Includes bonds denominated in foreign currencies.

Source: Statistics Canada, *Canada's International Transactions in Securities.*

Reference Table VI
Fiscal 1999-2000 Treasury Bill Program

Settlement	Maturing					New issues					Net increment			Average tender yields			
Date	CMB[1]	3 mo	6 mo	12 mo	Total	CMB[1]	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S[2]	CMB[1]	3 mo	6 mo	12 mo
								($ millions)							(%)		
01-Apr-99	4,750	3,300	–	3,300	11,350	–	4,200	1,900	1,900	8,000	-3,350	-3,350	93,600		4.75	4.86	4.97
15-Apr-99	2,500	3,600	3,000	–	9,100	–	3,700	1,700	1,700	7,100	-2,000	-5,350	91,600		4.46	4.54	4.60
29-Apr-99	2,500	3,800	–	2,900	9,200	3,700	3,600	1,600	1,600	10,500	1,300	-4,050	92,900	4.812-4.919	4.60	4.67	4.73
06-May-99	1,200	–	–	–	1,200	–	–	–	–		-1,200	-5,250	91,700				
13-May-99	2,500	4,000	3,000	–	9,500	–	3,200	1,400	1,400	6,000	-3,500	-8,750	88,200		4.30	4.43	4.56
27-May-99	–	4,200	–	2,600	6,800	–	2,800	1,400	1,400	5,600	-1,200	-9,950	87,000		4.42	4.60	4.79
10-Jun-99	–	4,400	3,000	–	7,400	–	2,800	1,500	1,500	5,800	-1,600	-11,550	85,400		4.54	4.78	5.07
23-Jun-99	–	4,400	–	2,700	7,100	–	3,100	1,600	1,600	6,300	-800	-12,350	84,600		4.62	4.88	5.15
08-Jul-99	–	4,200	3,100	–	7,300	–	3,500	1,700	1,700	6,900	-400	-12,750	84,200		4.61	4.84	5.15
22-Jul-99	–	3,700	–	3,100	6,800	–	4,000	1,800	1,800	7,600	800	-11,950	85,000		4.64	4.81	5.19
29-Jul-99	–	–	–	–	–	2,750	–	–	–	2,750	2,750	-9,200	87,750	4.70			
05-Aug-99	2,750	3,600	3,700	–	10,050	–	4,100	1,900	1,900	7,900	-2,150	-11,350	85,600		4.76	4.88	5.28
19-Aug-99	–	3,200	–	3,100	6,300	–	4,200	2,000	2,000	8,200	1,900	-9,450	87,500		4.84	5.06	5.36
26-Aug-99	–	–	–	–	–	2,000	–	–	–	2,000	2,000	-7,450	89,500	4.68			
02-Sep-99	2,000	2,800	4,200	–	9,000	1,500	4,200	2,000	2,000	9,700	700	-6,750	90,200	4.71	4.83	5.08	5.38
16-Sep-99	–	2,800	–	2,800	5,600	–	4,200	2,000	2,000	8,200	2,600	-4,150	92,800		4.74	4.99	5.32
30-Sep-99	1,500	3,100	3,600	–	8,200	750	4,000	1,900	1,900	8,550	350	-3,800	93,150	4.59	4.69	4.87	5.15
07-Oct-99	750	–	–	–	750	–	–	–	–	–	-750	-4,550	92,400				
14-Oct-99	–	3,500	–	2,800	6,300	–	3,800	1,800	1,800	7,400	1,100	-3,450	93,500		4.74	5.09	5.49
28-Oct-99	–	4,000	3,000	–	7,000	–	3,600	1,600	1,600	6,800	-200	-3,650	93,300		4.85	5.20	5.73
10-Nov-99	–	4,100	–	2,800	6,900	–	3,600	1,600	1,600	6,800	-100	-3,750	93,200		4.90	5.19	5.64
25-Nov-99	–	4,200	2,900	–	7,100	–	3,600	1,600	1,600	6,800	-300	-4,050	92,900		4.82	5.10	5.55
09-Dec-99	–	4,200	–	2,800	7,000	–	3,900	1,700	1,700	7,300	300	-3,750	93,200		4.71	5.09	5.65
16-Dec-99	–	–	–	–	–	1,750	–	–	–	1,750	1,750	-2,000	94,950	4.86			
23-Dec-99	–	4,200	3,300	–	7,500	–	3,200	1,400	1,400	6,000	-1,500	-3,500	93,450		4.93	5.29	5.77
06-Jan-00	–	4,000	–	3,100	7,100	–	3,600	1,700	1,700	7,000	-100	-3,600	93,350		4.99	5.36	5.83
13-Jan-00	1,750	–	–	–	1,750	–	–	–	–	–	-1,750	-5,350	91,600				
20-Jan-00	–	3,800	3,700	–	7,500	–	3,800	1,800	1,800	7,400	-100	-5,450	91,500		5.08	5.39	5.91
03-Feb-00	–	3,600	–	3,500	7,100	–	3,800	1,800	1,800	7,400	300	-5,150	91,800		5.21	5.49	5.98
10-Feb-00	–	–	–	–	–	–	–	–	–	–	–	-5,150	91,800				
17-Feb-00	–	3,600	4,000	–	7,600	–	3,800	1,800	1,800	7,400	-200	-5,350	91,600		5.10	5.39	5.85
24-Feb-00	–	–	–	–	–	–	–	–	–	–	–	-5,350	91,600				
02-Mar-00	–	3,600	–	4,000	7,600	–	4,000	1,800	1,800	7,600	–	-5,350	91,600		5.05	5.42	5.83
16-Mar-00	–	3,900	3,900	–	7,800	2,750	4,200	1,800	1,800	10,550	2,750	-2,600	94,350	5.08	5.16	5.46	5.87
23-Mar-00	–	–	–	–	–	2,500	–	–	–	2,500	2,500	-100	96,850	5.19			
30-Mar-00	–	3,200	–	3,600	6,800	2,000	4,200	1,800	1,800	9,800	3,000	2,900	99,850	5.21	5.28	5.56	5.94
Total	**22,200**	**101,000**	**44,400**	**43,100**	**210,700**	**19,700**	**100,700**	**46,600**	**46,600**	**213,600**	**2,900**	**–**	**99,850**				

[1] Cash management bill.

[2] Outstanding.

Source: Bank of Canada.

Reference Table VII

Fiscal 1999-2000 Treasury Bill Auction Results

Auction date	Term	Issue amount	Average price	Average yield	Bid coverage	Tail	Auction date	Term	Issue amount	Average price	Average yield	Bid coverage	Tail
	(months)	($ millions)	($)	(%)		(basis points)		(months)	($ millions)	($)	(%)		(basis points)
13-Apr-1999	3	3,700	98.816	4.461	1.91	1.3	12-Oct-1999	3	3,800	98.745	4.735	2.01	0.5
	6	1,700	97.955	4.535	2.10	0.5		6	1,800	97.523	5.094	2.19	0.6
	12	1,700	95.780	4.595	1.79	1.1		12	1,800	94.808	5.491	1.77	1.3
27-Apr-1999	3	3,600	98.780	4.601	2.17	0.9	26-Oct-1999	3	3,600	98.715	4.85	1.71	1.5
	6	1,600	97.727	4.665	2.39	0.5		6	1,600	97.662	5.202	1.93	0.7
	12	1,600	95.497	4.728	1.97	0.7		12	1,600	94.796	5.725	1.67	2.0
11-May-1999	3	3,200	98.859	4.3	2.41	0.4	09-Nov-1999	3	3,600	98.689	4.897	1.69	1.6
	6	1,400	98.003	4.428	2.80	0.2		6	1,600	97.464	5.189	2.10	0.5
	12	1,400	95.813	4.557	2.08	0.3		12	1,600	94.664	5.637	2.00	1.0
25-May-1999	3	2,800	98.827	4.42	1.97	1.0	23-Nov-1999	3	3,600	98.724	4.815	2.16	0.4
	6	1,400	97.756	4.603	2.00	1.7		6	1,600	97.705	5.103	2.35	0.6
	12	1,400	95.439	4.792	1.77	0.8		12	1,600	94.946	5.551	1.92	0.7
08-Jun-1999	3	2,800	98.795	4.541	1.88	0.7	07-Dec-1999	3	3,900	98.751	4.709	2.18	0.7
	6	1,500	97.846	4.782	1.90	1.0		6	1,700	97.526	5.088	1.98	1.0
	12	1,500	95.365	5.069	1.86	0.9		12	1,700	94.667	5.649	2.49	0.3
22-Jun-1999	3	3,100	98.762	4.622	1.82	1.0	21-Dec-1999	3	3,200	98.694	4.93	1.52	5.0
	6	1,600	97.613	4.877	1.90	1.1		6	1,400	97.625	5.285	1.86	1.5
	12	1,600	95.105	5.147	1.79	0.6		12	1,400	94.755	5.773	1.95	0.7
06-Jul-1999	3	3,500	98.778	4.606	1.85	0.8	05-Jan-2000	3	3,600	98.677	4.993	1.53	1.7
	6	1,700	97.819	4.843	2.01	0.4		6	1,700	97.398	5.357	1.48	1.3
	12	1,700	95.298	5.146	1.37	1.4		12	1,700	94.507	5.81	1.81	1.7
20-Jul-1999	3	4,000	98.771	4.636	1.85	0.9	18-Jan-2000	3	3,800	98.655	5.076	1.80	1.8
	6	1,800	97.657	4.812	2.24	0.3		6	1,800	97.578	5.393	1.88	1.1
	12	1,800	95.082	5.187	2.30	0.4		12	1,800	94.637	5.91	1.76	1.5
03-Aug-1999	3	4,100	98.751	4.761	1.73	0.9	01-Feb-2000	3	3,800	98.621	5.207	1.87	1.5
	6	1,900	97.804	4.878	1.81	1.7		6	1,800	97.335	5.49	1.70	2.6
	12	1,900	95.178	5.283	1.78	1.2		12	1,800	94.375	5.977	2.09	0.2
17-Aug-1999	3	4,200	98.718	4.838	1.53	2.0	15-Feb-2000	3	3,800	98.649	5.101	1.97	0.8
	6	2,000	97.541	5.055	1.67	1.5		6	1,800	97.579	5.391	1.80	1.7
	12	2,000	94.925	5.361	1.61	1.4		12	1,800	94.688	5.851	2.09	1.4
31-Aug-1999	3	4,200	98.719	4.834	1.85	1.4	29-Feb-2000	3	4,000	98.662	5.051	1.92	1.6
	6	2,000	97.715	5.081	1.35	2.9		6	1,800	97.369	5.418	1.93	1.4
	12	2,000	95.097	5.377	1.39	2.3		12	1,800	94.508	5.827	1.44	1.8
14-Sep-1999	3	4,200	98.744	4.737	1.65	0.7	14-Mar-2000	3	4,200	98.634	5.16	1.83	0.7
	6	2,000	97.574	4.987	2.25	0.8		6	1,800	97.548	5.462	2.11	1.4
	12	2,000	94.959	5.323	1.89	1.5		12	1,800	94.671	5.87	1.94	0.7
28-Sep-1999	3	4,000	98.757	4.687	1.80	1.1	28-Mar-2000	3	4,200	98.603	5.277	1.78	0.8
	6	1,900	97.809	4.867	1.83	1.5		6	1,800	97.301	5.563	1.97	1.5
	12	1,900	95.298	5.145	1.85	1.3		12	1,800	94.407	5.941	2.03	0.7
							Total		185,900				

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.

Source: Bank of Canada.

Reference Table VIII

Fiscal 1999-2000 Canadian-Dollar Marketable Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
				($ millions)		
Fixed-coupon bonds						
1999	**1999**					
April 28	May 3	June 1, 2029		1,800		1,800
May 12	May 17	June 1, 2009		2,500		2,500
May 26	June 1	September 1, 2004		2,750		2,750
May 26	June 1				563	-563
June 9	June 15	December 1, 2001		3,500		3,500
	August 2*		5,600	0		-5,600
July 28	August 3	June 1, 2010		2,600		2,600
July 29	August 3				600	-600
August 11	August 16	September 1, 2004		2,800		2,800
	September 1*		8,500	0		-8,500
September 8	September 15	December 1, 2001	7,000	3,500		-3,500
September 29	October 1	September 1, 2004		2,800		2,800
October 13	October 15	June 1, 2029	528	1,900		1,373
October 27	November 1	June 1, 2010		2,600		2,600
November 10	November 15	September 1, 2005		2,800		2,800
November 10	November 15				500	-500
November 24	December 1	June 1, 2002	3,225	3,600		375
November 24	December 1				600	-600
2000	**2000**					
January 26	February 1	June 1, 2010	5,500	2,600		-2,900
January 26	February 1				500	-500
February 9	February 15	September 1, 2005		2,800		2,800
	March 1*		6,500	0		-6,500
March 8	March 15	June 1, 2002	8,050	3,600		-4,450
March 8	March 15				500	-500
March 15	March 20	June 1, 2010		2,600		2,600
Real return bonds						
1999	**1999**					
June 2	June 8	December 1, 2031		300		300
September 1	September 7	December 1, 2031		300		300
December 1	December 6	December 1, 2031		300		300
2000	**2000**					
March 1	March 6	December 1, 2031		350		350
Total fiscal year 1999-2000			**44,903**	**46,000**	**3,263**	**-2,166**

* Maturing date

Source: Bank of Canada.

Reference Table IX
Fiscal 1999-2000 Marketable Bond Auction Results

Auction date	Term	Maturity date	Coupon rate	Issue amount	Average price	Average yield	Auction coverage	Tail
	(years)		(%)	($ millions)	($)	(%)		(basis points)
28-Apr-1999	30	01-Jun-2029	5.75	1,800	105.773	5.361	2.65	0.4
12-May-1999	10	01-Jun-2009	5.50	2,500	101.322	5.328	2.62	0.6
26-May-1999	5	01-Sep-2004	5.00	2,750	98.117	5.415	2.51	0.5
02-Jun-1999	30	01-Dec-2031	4.00*	300	98.567	4.080	3.58	n.a.
09-Jun-1999	2	01-Dec-2001	5.25	3,500	99.509	5.467	2.52	0.7
28-Jul-1999	10	01-Jun-2010	5.50	2,600	98.631	5.672	2.46	0.4
11-Aug-1999	5	01-Sep-2004	5.00	2,800	95.998	5.929	2.57	0.3
01-Sep-1999	30	01-Dec-2031	4.00*	300	99.456	4.030	2.81	n.a.
08-Sep-1999	2	01-Dec-2001	5.25	3,500	99.539	5.471	2.50	0.7
29-Sep-1999	5	01-Sep-2004	5.00	2,800	97.267	5.643	2.48	1.2
13-Oct-1999	30	01-Jun-2029	5.75	1,900	94.465	6.158	2.10	2.7
27-Oct-1999	10	01-Jun-2010	5.50	2,600	93.288	6.382	2.30	0.8
10-Nov-1999	5	01-Sep-2005	6.00	2,800	99.779	6.048	2.60	0.3
24-Nov-1999	2	01-Jun-2002	5.75	3,600	99.594	5.927	2.60	0.5
01-Dec-1999	30	01-Dec-2031	4.00*	300	99.641	4.020	3.30	n.a.
26-Jan-2000	10	01-Jun-2010	5.50	2,600	92.899	6.451	2.50	0.3
09-Feb-2000	5	01-Sep-2005	6.00	2,800	97.681	6.505	2.30	1.0
01-Mar-2000	30	01-Dec-2031	4.00*	350	100.354	3.980	3.10	n.a.
08-Mar-2000	2	01-Jun-2002	5.75	3,600	99.542	5.969	2.30	0.7
15-Mar-2000	10	01-Jun-2010	5.50	2,600	95.790	6.058	2.00	3.2
Total				**46,000**				

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.

* Real return bonds.

Source: Department of Finance.

Reference Table X

Bond Buyback Program – Operations 1999-2000

Buyback date	Maturity date	Coupon	Repurchased amount
		(%)	($ millions)
26-May-1999	01-Oct-2003	9.50	85.8
	01-Feb-2004	10.25	8.6
	01-Jun-2004	13.50	8.0
	01-Oct-2004	10.50	164.1
	01-Mar-2005	12.00	132.1
	01-Sep-2005	12.25	164.6
	Total		**563.2**
28-Jul-1999	01-Jun-2009	11.00	195.4
	01-Oct-2009	10.75	21.8
	01-Mar-2010	9.75	25.0
	01-Jun-2010	9.50	93.4
	01-Oct-2010	8.75	45.5
	01-Mar-2011	9.00	165.7
	01-Jun-2011	8.50	53.2
	Total		**600.0**
10-Nov-1999	01-Mar-2005	12.00	330.0
	01-Sep-2005	12.25	130.0
	01-Oct-2006	14.00	40.0
	Total		**500.0**
24-Nov-1999	01-Oct-2001	9.50	245.4
	01-May-2002	10.00	7.3
	15-Dec-2002	11.25	122.9
	01-Feb-2003	11.75	224.4
	Total		**600.0**
26-Jan-2000	01-Oct-2009	10.75	125.0
	01-Jun-2010	9.50	312.4
	01-Oct-2010	8.75	28.0
	01-Mar-2011	9.00	17.0
	01-Jun-2011	8.50	17.6
	Total		**500.0**
08-Mar-2000	01-Oct-2001	9.50	73.8
	15-Mar-2002	15.50	10.9
	01-May-2002	10.00	11.9
	15-Dec-2002	11.25	94.9
	01-Feb-2003	11.75	308.5
	Total		**500.0**
Total buyback program for 1999-2000			**3,263.2**

Source: Department of Finance.

Reference Table XI
Outstanding Government of Canada Canadian-Dollar Marketable Bonds as at March 31, 2000

Maturity date rate	Amount	Coupon rate	Maturity date	Amount	Coupon
	($ millions)	(%)		($ millions)	(%)
Fixed-coupon					
01-May-2000	1,575.0	9.75	01-Oct-2004	710.9	10.50
01-Jul-2000	2,900.0	10.50	01-Dec-2004	7,700.0	9.00
01-Jul-2000	175.0	15.00	01-Mar-2005	1,312.9	12.00
01-Sep-2000	7,600.0	7.50	01-Sep-2005	5,600.0	6.00
01-Sep-2000	1,200.0	11.50	01-Sep-2005	1,080.4	12.25
01-Dec-2000	7,000.0	5.00	01-Dec-2005	8,000.0	8.75
15-Dec-2000	500.0	9.75	01-Mar-2006	975.0	12.50
01-Feb-2001	425.0	15.75	01-Oct-2006	985.0	14.00
01-Mar-2001	9,400.0	7.50	01-Dec-2006	9,100.0	7.00
01-Mar-2001	3,175.0	10.50	01-Mar-2007	325.0	13.75
01-May-2001	1,325.0	13.00	01-Jun-2007	9,500.0	7.25
01-Jun-2001	7,000.0	4.50	01-Oct-2007	700.0	13.00
01-Jun-2001	3,550.0	9.75	01-Mar-2008	750.0	12.75
01-Sep-2001	10,600.0	7.00	01-Jun-2008	9,200.0	6.00
01-Oct-2001	987.4	9.50	01-Jun-2008	3,257.9	10.00
01-Dec-2001	7,000.0	5.25	01-Oct-2008	644.8	11.75
01-Dec-2001	3,850.0	9.75	01-Mar-2009	400.0	11.50
01-Feb-2002	213.0	8.75	01-Jun-2009	9,400.0	5.50
15-Mar-2002	350.0	15.50	01-Jun-2009	672.8	11.00
01-Apr-2002	5,450.0	8.50	01-Oct-2009	1,077.3	10.75
01-May-2002	1,842.7	10.00	01-Mar-2010	300.0	9.75
01-Jun-2002	7,200.0	5.75	01-Jun-2010	10,400.0	5.50
01-Sep-2002	10,200.0	5.50	01-Jun-2010	2,474.3	9.50
15-Dec-2002	1,316.8	11.25	01-Oct-2010	251.5	8.75
01-Feb-2003	2,402.3	11.75	01-Mar-2011	1,792.3	9.00
01-Jun-2003	6,900.0	7.25	01-Jun-2011	679.1	8.50
01-Sep-2003	9,700.0	5.25	15-Mar-2014	3,150.0	10.25
01-Oct-2003	558.9	9.50	01-Jun-2015	2,350.0	11.25
01-Dec-2003	8,800.0	7.50	31-Dec-2019	22.3	10.19
01-Feb-2004	1,976.9	10.25	15-Mar-2021	1,800.0	10.50
01-Jun-2004	7,900.0	6.50	01-Jun-2021	4,650.0	9.75
01-Jun-2004	541.0	13.50	01-Jun-2022	2,550.0	9.25
01-Sep-2004	10,850.0	5.00	01-Jun-2023	8,200.0	8.00

Reference Table XI *(cont'd)*
Outstanding Government of Canada Canadian-Dollar Marketable Bonds as at March 31, 2000

Maturity date	Amount	Coupon rate	Maturity date	Amount	Coupon rate
	($ millions)	(%)		($ millions)	(%)
Fixed-coupon			**Real return bonds**		
01-Jun-2025	8,900.0	9.00	01-Dec-2021	5,175.0	4.25
01-Jun-2027	9,600.0	8.00	01-Dec-2026	5,250.0	4.25
01-Jun-2029	8,200.0	5.75	01-Dec-2031	1,650.0	4.00
Total	**281,175**		**Total**[1]	**12,075**	

[1] Real return bond figures show gross issue amount only – the consumer price index adjustment is not shown here.

Source: Bank of Canada.

Reference Table XII

Government of Canada Swaps Outstanding as at March 31, 2000

Domestic interest-rate swaps

Maturity date	Coupon[1]	Notional amount
	(%)	($ millions)
01-Jun-2000	9.75	250
01-Feb-2004	10.25	50
Total		**300**

Foreign interest-rate swaps

Maturity date	Coupon[1]	Notional amount
	(%)	(US$ millions)
22-Jan-2002	5.125	300
19-Nov-2007	4.00	25
05-Nov-2008	5.25	200
05-Nov-2008	5.25	500
05-Nov-2008	5.25	500
Total		**1,525**

Cross-currency swaps of foreign obligations

Maturity date	Notional amount
	(US$ millions)
02-Oct-2000	3
02-Oct-2000	3
02-Oct-2000	3
02-Oct-2000	3
02-Oct-2000	3
02-Oct-2000	3
12-Jun-2001	26
16-Jul-2003	65
26-Nov-2004	495
26-Nov-2004	341
30-Nov-2004	63
30-Nov-2004	25
22-Dec-2004	76
03-Oct-2007	319
31-Jan-2008	44
Total	**1,472**

Reference Table XII *(cont'd)*

Government of Canada Swaps Outstanding as at March 31, 2000

Cross-currency swaps of domestic obligations			Cross-currency swaps of domestic obligations		
Maturity date	Notional amount	Currency paid	Maturity date	Notional amount	Currency paid
	($ millions)			($ millions)	
01-Sep-2002	250	USD	01-Mar-2005	565	USD
04-Sep-2002	1,000	USD	01-Sep-2005	100	USD
01-Apr-2002	50	USD	23-Nov-2005	150	USD
01-May-2002	100	USD	01-Dec-2005	194	EUR
01-Sep-2002	750	USD	01-Dec-2005	650	USD
03-Sep-2002	250	USD	01-Mar-2006	96	EUR
28-Oct-2002	100	USD	01-Mar-2006	50	USD
15-Dec-2002	103	EUR	01-Oct-2006	100	USD
15-Dec-2002	600	USD	30-Oct-2006	250	USD
01-Feb-2003	52	EUR	23-Nov-2006	150	USD
01-Jun-2003	54	EUR	01-Dec-2006	50	EUR
01-Jun-2003	125	USD	01-Jun-2007	206	EUR
01-Sep-2003	105	EUR	01-Jun-2007	750	USD
01-Sep-2003	150	USD	01-Oct-2007	153	EUR
01-Oct-2003	182	EUR	01-Mar-2008	475	USD
01-Oct-2003	65	USD	01-Jun-2008	800	USD
30-Nov-2003	100	USD	30-Sep-2008	50	USD
01-Dec-2003	155	EUR	01-Oct-2008	190	USD
01-Dec-2003	520	USD	01-Mar-2009	535	USD
01-Feb-2004	525	USD	01-Jun-2009	505	USD
30-Mar-2004	100	USD	01-Oct-2009	458	EUR
01-Jun-2004	518	EUR	01-Mar-2010	48	EUR
01-Jun-2004	350	USD			
01-Sep-2004	52	EUR	**Total**	**13,216**	
01-Oct-2004	211	EUR			
01-Oct-2004	125	USD			
23-Nov-2004	100	USD			

[1] Refers to the coupon of the underlying bond that was swapped.

Source: Department of Finance.

Reference Table XIII

Canada Savings Bonds and Canada Premium Bonds, Fiscal 1983-1984 to Fiscal 1999-2000

Fiscal year	Gross sales	Net change	Outstanding at fiscal year end
		($ millions)	
1983-84	11,584	5,650	38,403
1984-85	12,743	3,764	42,167
1985-86	15,107	2,440	44,607
1986-87	9,191	-22	44,585
1987-88	17,450	8,921	53,506
1988-89	14,962	-5,456	48,050
1989-90	9,338	-6,813	41,237
1990-91	6,720	-6,500	34,737
1991-92	9,588	1,151	35,888
1992-93	9,235	-1,172	34,716
1993-94	5,364	-3,089	31,627
1994-95	7,506	-96	31,531
1995-96	4,612	10	31,541
1996-97	5,747	2,050	33,591
1997-98	4,951	-2,796	30,795
1998-99	4,844	-2,187	28,608
1999-00	2,669	-1,510	27,098

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 XIV
Crown Corporation Borrowings as at March 31, 2000

Borrowings from the market

Corporation	1992	1993	1994	1995	1996	1997	1998	1999	2000
				($ millions)					
Export Development Corporation	6,220	6,983	7,793	7,515	7,673	7,820	10,077	12,967	16,888
Canadian Wheat Board	7,323	6,966	7,283	7,321	6,377	6,474	6,698	6,786	542
Business Development Bank of Canada	2,249	2,352	2,602	2,723	3,045	3,371	3,839	4,223	4,723
Farm Credit Corporation	813	797	863	990	1,582	1,926	3,026	4,317	5,083
Canadian National[1]	1,803	1,905	2,249	2,331	–	–	–	–	–
Canada Mortgage and Housing Corporation	96	152	1,573	3,630	5,906	7,866	9,934	10,633	10,801
Canada Development Investment Corporation	713	594	473	–	–	–	–	–	–
Petro-Canada Ltd.	980	455	501	504	490	432	443	471	338
Petro-Canada[1]	–	–	–	–	–	–	–	–	–
Canada Ports Corporation	200	188	–	–	–	–	3d	79	69
Other	96	97	239	235	297	226	258	222	196
Total	**20,493**	**20,489**	**23,576**	**25,249**	**25,370**	**28,115**	**34,278**	**39,698**	**38,640**

[1] This corporation is no longer a Crown corporation.

Source: *Public Accounts of Canada*.

Borrowings from the Consolidated Revenue Fund

Corporation	1992	1993	1994	1995	1996	1997	1998	1999	2000
				($ millions)					
Canada Mortgage and Housing Corporation	8,419	8,181	8,075	7,835	7,263	6,938	6,708	6,298	6,152
Canada Deposit Insurance Corporation	1,785	3,085	3,151	2,160	1,627	855	395	–	–
Farm Credit Corporation	2,491	2,420	2,488	2,524	2,310	2,507	1,877	1,041	805
Other	975	819	415	307	233	204	179	551	77
Total	**13,670**	**14,505**	**14,129**	**12,826**	**11,433**	**10,504**	**9,159**	**7,890**	**7,034**

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

Source: Public Works and Government Services Canada data.