Debt Management Report

1998

Department of Finance
Canada

Ministère des Finances
Canada

Price: $10.70

Available from the Finance Canada Distribution Centre
300 Laurier Avenue West, Ottawa K1A 0G5

Tel: (613) 943-8665
Fax: (613) 996-0901

Cette publication est également disponible en français.

Cat. no.: F2-106/1998E

ISBN: 0-660-17670-X

Table of Contents

Purpose and Contents of Report 5

Highlights 6

Fiscal Environment 7

Size and Structure of the Federal Debt 8

Overview of the Federal Debt Management Strategy 11

Results of 1997-98 Government of Canada Debt Management Operations and Cash Management (includes updates as of October 30, 1998) 16

- Overview 16
- Domestic Debt 17
- Foreign-Currency Debt 19
- The Management of the Government's Cash Balances 22

Distribution of Holdings of Government of Canada Debt 24

- Domestic Holdings of Government of Canada Debt 24
- Non-Resident Holdings of Government of Canada Debt 25

Annex 1 – Details on Canada's Foreign-Currency Debt, 1997-98 27

Annex 2 – Government of Canada Market Debt Instruments 28

Annex 3 – New Auction Rules/Terms of Participation 32

Annex 4 – Selected News Service Pages of Interest to Government of Canada Debt Market Participants 34

Annex 5 – Glossary 35

Reference Tables 37

Purpose and Contents of Report

The *Debt Management Report* provides a review of federal debt operations for fiscal year 1997-98, as well as an update on federal debt management strategy and on federal debt programs up to October 30, 1998.

The report is divided into the following sections:

- an outline of the federal debt management environment;
- an overview of current federal debt management strategy[1] and the federal debt managers;
- details on the government's domestic and foreign-currency debt operations in 1997-98, including an update of activities up to October 30, 1998;
- the distribution of holdings of Government of Canada market debt; and
- a statistical summary of 1997-98 federal and agency debt operations.

---

[1] In March, the federal government publishes the *Debt Management Strategy* which provides detailed information on the federal government's debt management strategy for the upcoming fiscal year.

Highlights

In 1997-98, the federal government achieved a budget surplus for the first time in almost 30 years.

As a result, the government has been able to begin paying down its debt.

A prudent debt structure is in place.

To maintain liquidity and market integrity in a declining debt environment, the government has recently taken a number of actions.

- At the end of March 1998, the federal government's net public debt totalled $579.7 billion and the budgetary surplus stood at $3.5 billion. This is the first budgetary surplus since 1969-70.
- As of March 31, 1998, the federal government's market debt[2] was $463.8 billion. During 1997-98, the federal government retired $9.6 billion of its market debt.
  - Domestic debt declined by $13.7 billion in 1997-98, largely through a decline in Treasury bill stock.
  - Foreign debt increased by $4.2 billion. The increase in foreign borrowing is consistent with the plan announced in recent budgets to bring the level of Canada's international reserves more in line with other sovereigns.
- During the first seven months of the current fiscal year, the government retired an additional $19.3 billion[2] of market debt. In total, up to October 30, 1998[3], $28.9 billion of market debt had been retired.
- Reduced exposure to changes in interest rates has been achieved by increasing the share of the government's gross debt in fixed-rate form to two-thirds at October 30, 1998. The adjustment in debt structure has significantly reduced the government's short-term borrowing needs.
- Canada's capital market remains one of the most efficient capital markets in the world with a high turnover of Government of Canada securities and low bid-offer spreads. The federal government implemented a number of changes in 1997-98 to enhance market integrity and ensure a well-functioning market, including:
  - changing the Treasury bill issuance from a weekly to a two-week cycle;
  - eliminating the issuance of 3-year bonds and reducing the frequency of 30-year bonds;
  - revising the auction rules for Government of Canada securities; and
  - contributing to the development of the Investment Dealers Association (IDA) Code of Conduct governing the trading of debt securities in the secondary market.

Fiscal 1997-98 Debt Program (billions of C$):

	March 31, 1997	Net new issuance	March 31, 1998
Domestic debt	450.4	-13.7	436.7
Foreign debt	23.0	4.2	27.2
Total market debt[2]	473.4	-9.6	463.8

Note: May not add due to rounding.

[2] For debt management purposes, market debt is defined as the portion of debt funded in the public markets and includes marketable bonds, Treasury bills, non-marketable retail debt (primarily Canada Savings Bonds) and foreign-currency-denominated bonds and bills. However, it should be noted that in other Department of Finance publications, market debt also includes bonds issued to the Canada Pension Plan (CPP). During the first seven months of the current fiscal year, $18.4 billion of market debt was retired when bonds issued to the CPP were included.

[3] Caution should be exercised in extrapolating these monthly results to gain an assessment of the possible outcome for the year as a whole. Some of the improvement to date was due to special factors or one-time developments.

Fiscal Environment

Achievement of a budget surplus means that the government is paying down its debt.

In 1997-98, the federal government achieved a budgetary surplus for the first time since 1969-1970. Over the period April 1997 to March 1998, the budgetary surplus totalled $3.5 billion compared to a budgetary deficit of $8.9 billion in the same period in 1996-97. In 1997-98, a financial surplus of $12.7 billion was reported (excluding foreign exchange transactions), up from $1.3 billion in 1996-97. A financial surplus means that the government did not need to borrow new money from financial markets. Including foreign exchange transactions, the net financial surplus stood at $10.6 billion. With a commitment to balanced budgets in the next two fiscal years as well, the government will remain in an ongoing net financial surplus position. This will allow the government to steadily pay down its market debt.

The debt-to-GDP ratio is falling. The federal government is committed to continue reducing its market debt.

The best indicator of the burden of debt on the economy is the debt-to-gross domestic product (GDP) ratio. As a share of Canada's economy (or GDP), the net debt fell to 66.9 per cent in 1997-98 from 70.3 per cent in 1996-97 – a 3.4-percentage-point decline. This decline in the debt-to-GDP ratio is the largest single-year decline since 1956-57. Through its Debt Repayment Plan, the government is committed to ensuring that the debt-to-GDP ratio continues on a permanent downward track.

During the first seven months of the current fiscal year, the federal government achieved a financial surplus (excluding foreign exchange transactions) of $4.7 billion, up by $1.2 billion over the same period last year. As a result, market debt had fallen by $19.3 billion as at October 30, 1998.

Public debt charges as a percentage of budgetary revenues – the interest ratio – declined from 31.9 per cent in 1996-97 to 26.7 per cent in 1997-98. This means that the government spent about 27 cents of every revenue dollar in 1997-98 for interest on the public debt. Due to the size of the debt stock, variations in interest rates can significantly affect total debt costs. The cost of debt service underscores how important the management of the public debt is to all Canadians.

The Debt Repayment Plan

The Debt Repayment Plan is based on three key elements:

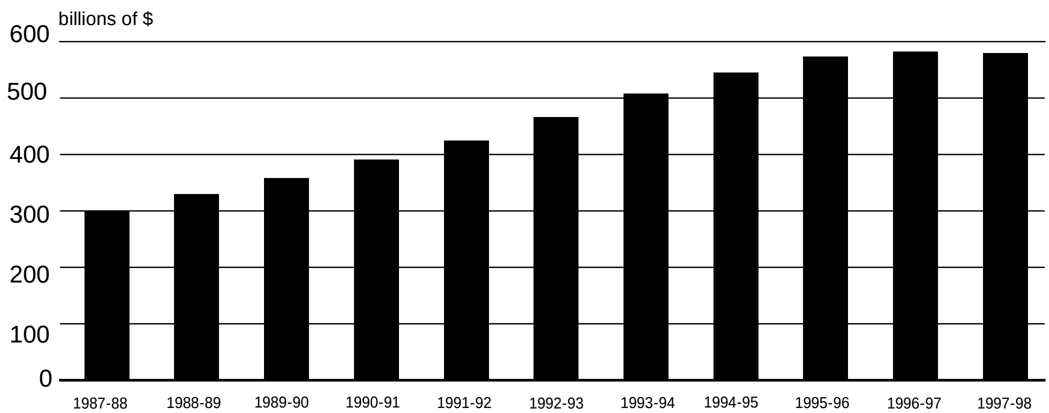
- two-year fiscal plans based on prudent economic planning assumptions; the current plan commits to balanced budgets in 1998-99 and 1999-2000;
- the inclusion in the fiscal plan of a Contingency Reserve of $3 billion in each year; and
- the use of the Contingency Reserve, when it is not needed, to pay down the public debt.

Size and Structure of the Federal Debt

With the achievement of a budgetary surplus, gross debt has stopped growing.

The 1997-98 budgetary surplus brought the federal government's net public debt – gross federal debt net of the government's financial assets – down to $579.7 billion from $583.2 billion in 1996-97. Net public debt is the best measure of the federal government's financial position. Gross public debt at the end of March 1998 totalled $638.5 billion. With the achievement of a budgetary surplus, gross debt has stopped growing.

Chart 1
Evolution of Net Federal Debt

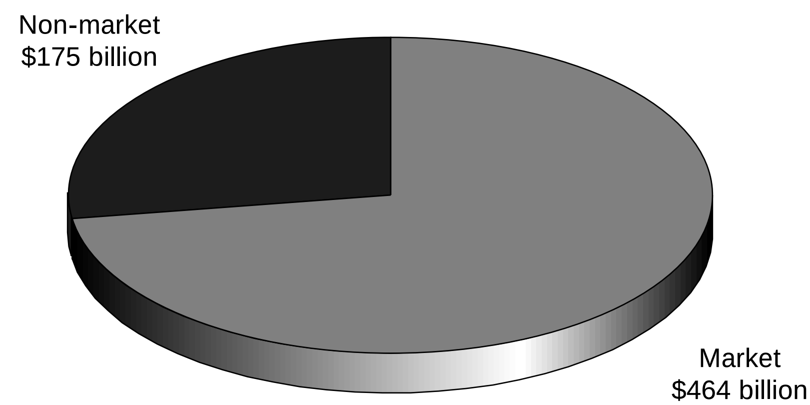


Source: *Public Accounts of Canada*

The government has two types of debt: market debt and non-market debt.

The gross federal 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 and includes marketable bonds, Treasury bills, non-marketable retail debt (primarily Canada Savings Bonds) and foreign-currency-denominated bonds and bills. At March 31, 1998, market debt outstanding was $464 billion. Non-market debt includes the government's internal debt which is, for the most part, federal public sector pension liabilities, the government's current liabilities (e.g., accounts payable, accrued liabilities, interest and payment of matured debt), and bonds issued to the Canada Pension Plan. At March 31, 1998, non-market debt totalled $175 billion.

Chart 2
Gross Federal Debt 1997-98



Source: *Public Accounts of Canada*

Sensitivity of debt charges to interest rate changes has been cut in half for the first year.

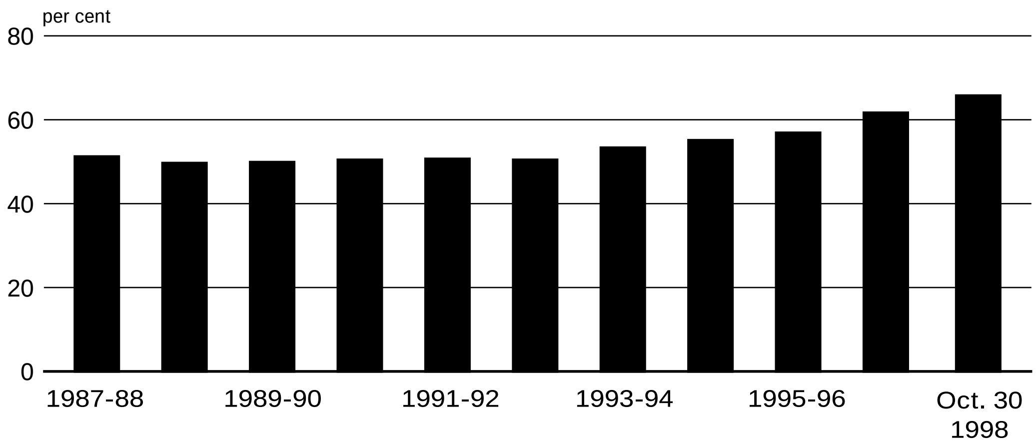
In 1997-98, the federal government continued to restructure its debt stock to ensure that it is less sensitive to unexpected changes in interest rates. It has achieved this by increasing the fixed-rate share[4] of the government's gross debt to 65 per cent in 1997-98 from 53 per cent in 1993-94 (Chart 3). As a result, the impact of a 100-basis-point increase in interest rates on the budget balance in the first year of the increase is now about $800 million lower today than at the time of the 1995 budget (i.e. $1 billion compared to $1.8 billion).

The government plans to maintain a prudent debt structure.

The fixed-rate share target for 1998-99 is set at two-thirds of the debt. Due to the fiscal surplus achieved up to October 30, 1998, this target has been achieved.

[4] The fixed-rate share of the debt is the percentage of the gross debt excluding non-interest-bearing liabilities that matures or is repriced in more than one year.

Chart 3
Fixed-Rate Share of Gross Debt



Source: Department of Finance

Federal Debt Managers

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

The Division works in partnership 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 foreign-currency borrowing operations. The Bank also has responsibility for monitoring market activities and advising on debt management policy issues, as well as co-ordinating risk management activities.

Primary responsibility for the management of the retail debt portion of the federal market debt is carried out by CI&S. A special operating agency of the Department of Finance, CI&S is responsible for achieving the fundamental debt management objective of stable, low-cost funding by developing and implementing the retail debt program.

Overview of the Federal Debt Management Strategy[5]

Recent Debt Strategy Initiatives

The fundamental debt management objective is to raise stable, low-cost funding for the government. A key strategic objective is the maintenance of a well-functioning domestic capital market. The federal government has taken a series of initiatives in 1997-98 and in the current fiscal year to achieve these objectives (see Table 1 for an overview).

Maintaining a prudent debt structure remains a priority.

Maintaining a prudent debt structure is essential in protecting the government's fiscal position from unexpected changes in interest rates. A new target for the fixed-rate share of the debt has been set to two-thirds of the debt. As of October 30, 1998, this target was achieved.

The government is committed to maintaining and enhancing a well-functioning market.

To enhance the liquidity of Government of Canada securities and ensure a well-functioning market, the issuance of 3-year bonds was eliminated and the weekly cycle of Treasury bill auctions was replaced by a biweekly cycle in 1997-98. For the current fiscal year, the frequency of issuance of 30-year bonds was reduced to two times per year and a pilot bond buy-back program was launched. The purpose of the bond buy-back program is to buy back existing, less liquid bonds to maintain liquidity in the primary market.

Auction rules were revised to reinforce the integrity of the primary market.

The federal government has been working closely with market participants on a number of initiatives to enhance market integrity. In August 1998, the Department of Finance and the Bank of Canada released revised rules pertaining to auctions of Government of Canada securities and the Bank of Canada's surveillance of the auction process. These new rules, which became effective in October 1998, are designed to reinforce the integrity of the auction process and encourage broad participation in it. The revisions also include a new classification of government securities distributors, a subgroup of dealers called primary dealers, a definition of a bidding entity, procedures for the submission of bids, new bidding limits for government securities distributors, and bidding limits for customers of government securities distributors. In addition, the Bank of Canada intends to increase its monitoring of Government of Canada securities markets, including ongoing reporting by auction participants and enhanced reporting to help ensure market integrity.[6]

---

[5] Further details on the 1998-99 strategy can be found in the *Debt Management Strategy 1998-99*, released in March 1998.

[6] Further details of these changes are available on the web site of the Bank of Canada at: www.bank-banque-canada.ca

Table 1
Overview of Debt Management Strategy for 1997-98 and 1998-99

Strategy	1997-98 Initiatives	1998-99 Initiatives
Maintain a prudent debt structure	• The target for the fixed-rate share of the debt of 65% was achieved in August 1997.	• The fixed-rate target increased to two-thirds of the debt and was achieved by October 30, 1998.
Maintaining and enhance a well-functioning market	• In September 1997, the weekly cycle of Treasury bill auctions was replaced by a two-week cycle and the maturity of 3-month Treasury bills was lenghtened by seven days to 98 days. • In April 1997, the issuance of 3-year bonds was eliminated. • Consultations took place with market participants on changes in auction rules to reduce potential for manipulative behaviour prior to and during auctions. • Discussions were held with the IDA on the IDA Code of Conduct to establish standards for trading debt securities in the secondary market.	• The pilot bond buy-back program was launched. • In April 1998, the issuance of 30-year bonds was reduced to a semi-annual frequency. • In September 1998, the IDA Code of Conduct (Policy No. 5) was approved by the Ontario Securities Commission and sent to all member firms. • In October 1998, new rules were implemented for auctions of Government of Canada securities, together with extended surveillance of the Government of Canada market by the Bank of Canada.
Diversify the investor base	• In March 1997, a Euro Medium-Term Note program was launched. • CI&S introduced more savings options for Canadians, including holding bonds in RRSPs and RRIFs and the launching of the new Canada Payroll Savings program.	• In June 1998, a jumbo DM global bond was issued, and in October 1998 an inaugural FF 4 billion bond was issued. • In the fall of 1998, the Canada Premium Bond was introduced and sold concurrently with the CSB, and continuous sales to April 1, 1999 are being piloted. Extension of the new Canada Payroll Savings program continues.

An IDA Code of Conduct was developed to reinforce the integrity of the secondary market.

Parallel to the development of the revised rules, the federal government participated in the development of the IDA Code of Conduct, establishing standards for the trading of debt securities in the secondary market. This initiative is linked to Government of Canada securities through the new terms of participation in auctions for government securities distributors and customers.

Diversification of the investor base is being pursued on two fronts through the extension of the federal government's sources of funds in international markets and through Canada Investment and Savings, the government's retail debt agency. On the international front, the Euro Medium-Term Note (EMTN) program was launched in 1997. Notes issued under this program can be denominated in a range of currencies and structured to meet investor demand. Other initiatives undertaken by the federal government to diversify its investor base through international markets were the issue of the jumbo DM global bond in June 1998, and the inaugural FF issue in October 1998. Both issues, which were well received by international investors, also furthered the government's strategy of diversifying the assets held in the Exchange Fund Account as the proceeds were reinvested in DM and FF assets.

The federal government will continue to maintain the principles of liquidity, transparency and regularity in its debt management program.

Continuing Debt Strategy Initiatives

The government's continuing debt strategy initiatives fall into two categories:

- maintaining a transparent and liquid federal debt program; and
- providing active support for broader market initiatives.

Federal Debt Program Features

A transparent debt strategy preannouncing auction calendars and building large bond benchmarks are key elements in improving the liquidity, transparency and efficiency of the Canadian bond market.

The annual debt strategy and quarterly bond auction schedule announcements are made to increase the market's knowledge about future debt operations to promote efficiency in the market. The debt strategy announcement includes the target for the fixed-rate share of the debt and the specifics about the major elements of the debt program. The 1998-99 debt strategy press release announced:

- a new target for the fixed-rate share of the debt set at two-thirds of the debt;
- a modestly lower bond program compared to the previous fiscal year and a decrease in Treasury bill stock by about 10 per cent;
- a change in issuance frequency of the 30-year bond from a quarterly to semi-annual basis; and
- continuance of building large benchmark bonds at the 2-, 5-, 10- and 30-year maturities, with target sizes of $7 billion to $10 billion.

Table 2
Ongoing Federal Debt Initiatives Promoting Efficient Canadian Capital Markets

- Building large benchmarks
- Publishing a quarterly bond auction calendar
- Making debt strategy and operations transparent
- Using common coupon dates
- Book-based electronic clearing and settlement

Domestic Market Initiatives

Beyond the design and implementation of the federal debt program, the government pursues greater liquidity and efficiency through support for private sector initiatives in the domestic fixed-income market.

In particular, the Department of Finance and the Bank of Canada have worked with the Montreal Exchange and the investment community in developing a liquid domestic Government of Canada futures market. There is a highly successful futures contract based on 3-month bankers' acceptance rates (the BAX contract) and active 10- and 5-year Government of Canada bond futures contracts (the CGB and CGF contracts).

The federal government continues to provide support to initiatives aimed at promoting the Government of Canada futures market.

The government has also provided active support for improved market price transparency by supporting the development of a screen-based information system on prices and trades in the secondary market in Government of Canada securities.

The efficiency of the Canadian market is facilitated through the placement of all Government of Canada Treasury bills and bonds on an electronic clearing and settling system. Federal government bonds were placed on the Debt Clearing System (DCS) of the Canadian Depository for Securities (CDS) in 1994, and Treasury bills were put on the DCS in November 1995.

The government also assists the Government of Canada strip bond market by letting the DCS provide separate CUSIP (Committee on Uniform Security Identification Procedures) numbers for each cash flow and allowing the reconstitution of cash flows back into conventional bonds.

Ongoing support for initiatives that help promote the strip, swap and repo markets is also provided by the federal government.

Government of Canada Securities Market

Canada's fixed-income market has become 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 fixed-income instruments, the large volume of transactions and high turnover ratios.

The volume of transactions in the Government of Canada bond market has grown significantly over the last eight years. The volume of transactions in the Treasury bill market had increased sharply from 1990 to 1995, but has since declined as the stock of Treasury bills outstanding has fallen. In the second quarter of 1998, total Treasury bill turnover was $392 billion. The quarterly turnover ratio was 4.1 in 1998Q2 (see Chart 4). Total marketable bond turnover was $1,121 billion in the second quarter of 1998, a 240-per-cent increase from the first quarter of 1990. The quarterly turnover ratio was 3.7 in 1998Q2 compared to 2.6 in the first quarter of 1990 (see Chart 5).

Government of Canada Treasury Bills
Trading Volume and Turnover Ratio

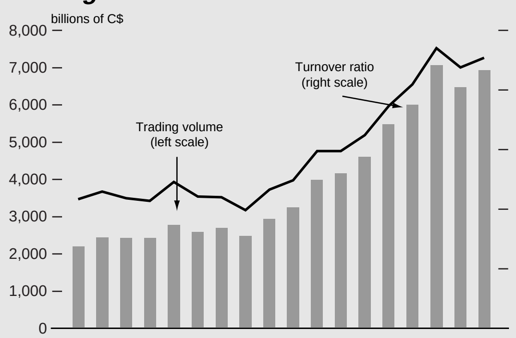
Trading volume is total trading volume in each quarter.
Turnover ratio is total trading volume in each quarter/stock.
Source: Bank of Canada

Government of Canada Bonds
Trading Volume and Turnover Ratio

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 two years provides further evidence of an extremely efficient Canadian government securities market. Since the first quarter of 1994, the total quarterly turnover for Government of Canada bond repos has increased from $2,194 billion to $6,904 billion in the second quarter of 1998. Furthermore, the quarterly turnover ratio for bond repos in 1998Q2 was 23, up from about 11 in early 1994 (see Chart 6). The Treasury bill repo market is less active than the bond repo market; nevertheless, it is quite efficient with total quarterly turnover in 1998Q2 at $521 billion and a quarterly turnover ratio of 5.5 (see Chart 7).

Government of Canada Bond Repos
Trading Volume and Turnover Ratio



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

Government of Canada Treasury Bill
Repos Trading Volume and Turnover Ratio

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

Results of 1997-98 Government of Canada Debt Management Operations and Cash Management

(includes updates as of October 30, 1998)

Overview

As a result of the budgetary surplus achieved in 1997-98, the federal government retired $9.6 billion of its market debt during this period. Total domestic debt alone declined by $13.7 billion. The share of market debt held in short-term instruments, primarily Treasury bills, decreased while the share held in longer-term instruments increased.

Table 3
Composition of Federal Market Debt
(billions of C$)

	March 31, 1997	March 31, 1998	October 30, 1998
C$-Denominated			
Fixed-coupon bonds	274.5	284.7	286.8
RRBs	8.0	9.9	10.7*
Treasury bills	135.4	112.3	86.7
Non-marketable retail debt	32.5	29.8	27.8
Foreign-Currency-Denominated			
Canada Bills	8.4	9.4	11.2
Foreign bonds	12.5	14.7	17.9
Canada Notes	2.1	1.7	0.7
Euro Medium-Term Notes	0.0	1.5	2.7
Total	473.4	463.8	444.5

Note: May not add due to rounding.

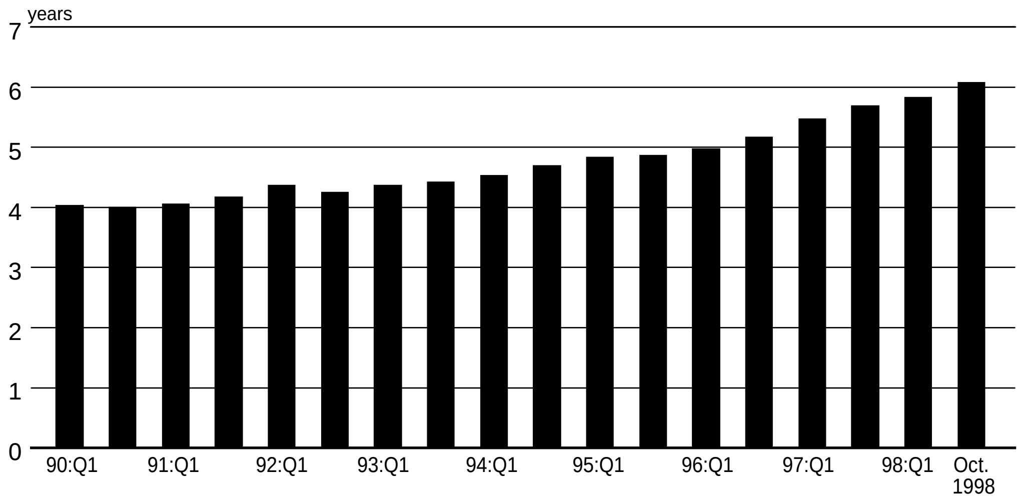
* RRB numbers for October 1998 do not include CPI adjustment so far this year.

Foreign reserves increased in 1997-98, consistent with the government's announcement in the 1996 and 1998 budgets to bring the level of Canada's international reserves more in line with other sovereigns.

Up to October 30, 1998, domestic debt declined by $24.6 billion while foreign-currency-denominated debt increased by $5.2 billion. As a result, total market debt declined to $444.5 billion.

The gradual change in the composition of the debt has led to an increase in the average term to maturity (ATM) of the federal market debt, from 4.0 years in January 1990 to 6.1 years in October 1998 (Chart 8).

Chart 8
Average Term-to-Maturity of Marketable Debt



Source: Bank of Canada

Domestic Debt

Fixed-Coupon Marketable Bonds

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

Net new issuance of fixed-coupon marketable bonds during the year totalled $10.2 billion (gross issuance less maturing issues), bringing the stock outstanding of marketable bonds to $284.7 billion as at March 31, 1998. In comparison, net new issuance was $27.9 billion in the previous fiscal year and outstanding fixed-coupon marketable bonds stood at $274.5 billion at the end of March 1997.

In 1997-98, gross issuance of fixed-coupon marketable bonds consisted of $14.0 billion of 2-year bonds, $9.9 billion of 5-year bonds, $9.3 billion of 10-year bonds and $5.0 billion of 30-year bonds (issuance of 3-year bonds ceased in 1997-98). Fixed-coupon marketable bonds represent the largest component of the federal government’s outstanding market debt.

The distribution of the outstanding stock of fixed-coupon marketable bonds at the end of 1997-98 and as of October 30, 1998 is shown in Table 4.

Table 4
Outstanding Fixed-Coupon Marketable Bonds (billions of C$)

	March 31, 1998	October 30, 1998
0-2 years	80.9	78.4
2-5 years	69.9	78.2
5-10 years	71.5	74.9
10-30 years	62.5	55.3
Total	284.7	286.8

Note: May not add due to rounding.

Status as of October 30, 1998

The outstanding stock of fixed-coupon marketable bonds was $286.8 billion at the end of October 30, 1998.

Real Return Bonds (RRBs)

Real Return Bonds, introduced in 1991, provide cost-effective diversification of the marketable bond program for the government as the implied real rates on comparable nominal bonds generally exceed the real rate offered on RRBs. RRBs serve the needs of real return investors such as indexed pension funds.

Issuance of RRBs in 1997-98 totalled $1.7 billion through four issues, bringing the level outstanding of RRBs to $9.9 billion as at March 31, 1998 (including $0.7 billion in Consumer Price Index (CPI) adjustment). RRBs are issued via quarterly single-price auctions.

Status as of October 30, 1998

At October 30, 1998, the outstanding stock of RRBs was $10.7 billion including one issue of RRBs in the April to October 1998 period. The program for 1998-99 incorporates four RRB issues having a total issuance target of up to $2 billion.

Treasury Bills

Treasury bills with terms to maturity of approximately three, six and 12 months are offered on a biweekly basis. Cash management bills of shorter maturity than regular Treasury bills are issued from time to time to facilitate the management of the government's cash balances.

The stock of outstanding Treasury bills decreased by $23.1 billion during the 1997-98 fiscal year to a level outstanding of $112.3 billion at March 31, 1998. To maintain the liquidity of this market given reduced issuance, Treasury bill auctions changed from a weekly to a two-week cycle in September 1997, and the maturity of 3-month Treasury bills was lengthened by seven days to 98 days, to make it fungible with longer-dated Treasury bills.

Status as of October 30, 1998

The Treasury bill stock has continued to decline significantly over the first seven months of the current fiscal year as the financial surplus continues to increase. Treasury bills outstanding at October 30, 1998 totalled $86.7 billion.

Canadian Dollar Interest Rate Swaps

There were no new domestic interest rate swaps to raise floating rate funding in 1997-98.

Retail Debt

Retail debt is broadly defined as Government of Canada securities held by individual Canadians, and includes both non-marketable and marketable debt.

In 1997-98, there were two investment products within the retail non-marketable debt program: the Canada Savings Bond (CSB) and the Canada RRSP Bond, now renamed the Canada Premium Bond. The Canada Premium Bond features longer-term pricing but with less liquidity. Both bonds can now be held within or outside registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs).

The retail debt share, including both non-marketable and marketable debt, of the Government of Canada total market debt remained stable in the last year. This stopped the decline of the last decade, thereby contributing to the government's objective of maintaining a diversified investor base. The non-marketable component of retail debt decreased by $2.7 billion in 1997-98, largely offset by an increase in the individual holdings of marketable debt.

Status as of October 30, 1998

In 1998-99, two products will be offered at the same time: the Canada Savings Bond and the new Canada Premium Bond (formerly known as the Canada RRSP Bond). Both bonds will also be on sale for six continuous months from early October until April 1, providing Canadians with more convenient access to these products than the single three-week period in past years. In addition, the new Canada Payroll Savings program has been rolled out to about 300,000 Canadians.

Foreign-Currency Debt

Foreign borrowing is becoming a much more significant element of debt operations. Canada borrows in foreign currencies to raise foreign exchange reserves for the Exchange Fund Account (EFA). The EFA is a pool of assets used to promote the order and stability of the Canadian dollar in the foreign exchange market. Foreign exchange reserves are also held for general liquidity purposes. The major objectives of Canada's reserve program are to raise adequate reserves, minimize the cost of carrying reserves, immunize foreign exchange and interest rate risk, and prudently manage refinancing risk.

Foreign reserves increased in 1997-98, which is consistent with the government's announcement in the 1996 and 1998 budgets to raise the level of reserves in order to bring Canada in line with other sovereigns.

As of March 31, 1998, foreign-currency liabilities stood at US$24.4 billion – (US$19.1 billion in foreign-currency debt and US$5.3 billion in cross-currency swaps).

Canada's foreign currency debt amounts to less than 6 per cent of its outstanding market debt.

Foreign-currency debt outstanding consists of Canada Bills, Canada Notes, Euro Medium-Term Notes and marketable bonds. Canada also obtains foreign-denominated funding through cross-currency swaps on domestic bonds. Annex 1 provides further details on Canada's foreign-currency debt.

Table 5
Foreign-Currency Liabilities (as of March 31, 1998)

	billions of US$
Canada Bills	6.6
Canada Notes	1.2
Floating Rate Notes	2.0
LIBOR-25bps, due 15 February 1999	
Euro-Medium Term Notes	1.1
Global Bonds	
6½% US$ bonds due 30 May 2000	1.5
6½% US$ bonds due 30 May 2001	1.0
6⅛% US$ bonds due 15 July 2002	1.0
5⅝% US$ bonds due 19 February 2003	2.0
6⅜% US$ bonds due 21 July 2005	1.5
6¾% US$ bonds due 28 August 2006	1.0
6⅝% NZ$ bonds due 3 October 2007	0.3
Total foreign-currency debt	19.1
Cross-currency swaps	5.3
Total foreign-currency liabilities	24.4

Note: May not add due to rounding.

Canada Bills and Canada Notes

Canada Bills, which are short-term promissory notes denominated in U.S. dollars, are issued in the U.S. market as a source of low-cost U.S. dollar funding. The level of outstanding Canada Bills increased from US$6.1 billion to US$6.6 billion during 1997-98. Net issuance decreased compared to 1996-97 levels.

Canada Notes are used as required to raise fixed and floating rate funding for terms longer than nine months. The stock of outstanding U.S. medium-term notes, which the government began to issue in March 1996, decreased from US$1.5 billion to US$1.2 billion during 1997-98.

Status as of October 30, 1998

In the first seven months of the current fiscal year, the outstanding amount of Canada Bills increased by US$0.7 billion. The outstanding stock of Canada Notes stood at US$0.5 billion as of October 30, 1998.

Euro Medium-Term Notes

The EMTN program, introduced in March 1997, diversifies 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 swapped to U.S. dollars, the primary currency held in the foreign exchange reserves. In 1997-98, the federal government executed six transactions under the EMTN program (see Annex 1 for details).

Status as of October 30, 1998

Six other issues were done under the EMTN program this fiscal year: Hong Kong dollar 200 million three-year notes, Greek drachma 20.0 billion five-year notes, US$75 million one-year notes, US$200 million one-year notes, British pound 200 million six-year notes, and a FF 4 billion issue.

Foreign-Currency-Denominated Bonds

At the end of 1997-98, Canada had US$8.3 billion in fixed-rate bonds (of which US$3.3 billion were issued in 1997-98) and US$2.0 billion Floating Rate Notes (issued in 1993-94) were outstanding. The US$3.3 billion of fixed-rate bonds issued in 1997-98 consisted of three global bonds (see Annex 1 for details).

Status as of October 30, 1998

Since March 31, 1998, the federal government has issued a Deutsche mark US$4.0 billion 4⅞-per-cent global bond due July 7, 2008. The transaction was well received by investors and has further reinforced Canada's reputation in the international capital markets. Proceeds were invested in DM assets as an initial step to diversify the government's reserve assets in major reserve currencies. In October 1998, the federal government also issued a US$2.5 billion 5¼-per-cent global bond due November 5, 2008.

Cross-Currency Swaps

Cross-currency swaps of domestic obligations are an alternative to bond issues as a means of meeting the government's targets for longer-term foreign-currency funding. In 1997-98, the federal government raised US$3.6 billion in foreign exchange reserves at attractive funding levels by entering into 13 cross-currency swaps. This is a significant increase from the previous fiscal year when the government entered into only two cross-currency swaps to raise US$1 billion in foreign exchange reserves. The total amount of cross-currency swaps outstanding as of March 31, 1998 stood at US$5.3 billion.

Status as of October 30, 1998

In the first seven months of the current fiscal year, the federal government entered into 22 cross-currency swaps, raising an additional US$2.0 billion and bringing the total amount of cross-currency swaps to US$7.3 billion.

The Management of the Government's Cash Balances

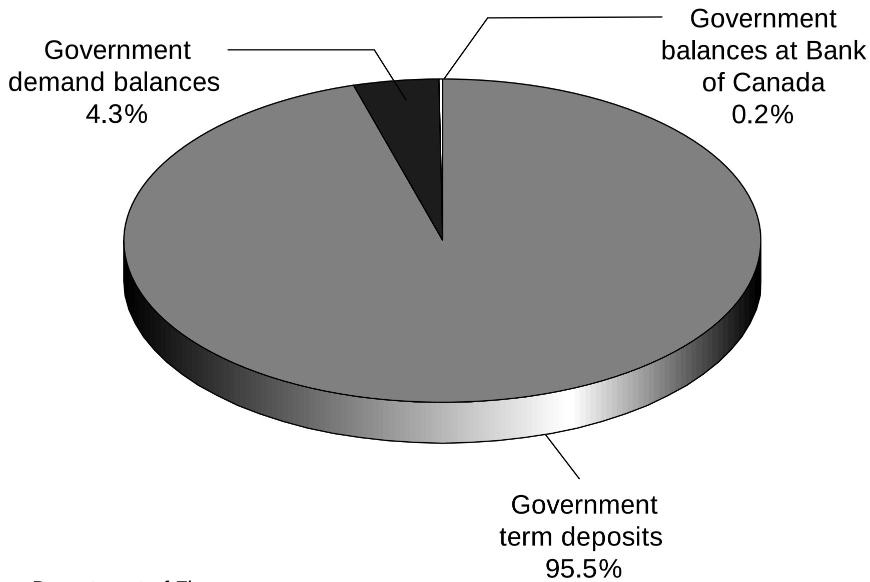
The main priorities in managing cash balances are to ensure that the government has sufficient cash to meet its operating requirements. This requires careful forecasting and monitoring of the daily flows, as well as an ongoing borrowing program to refinance maturing debt and maintain the balances at the targeted level. There is inherent uncertainty 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 the volatility of markets. An adequate level of cash balances must be maintained at all times to meet operational requirements, including adjustment to changes in market conditions.

All cash balances are invested with direct clearing members of the Canadian Payments Association (CPA) as either term or demand deposits through an auction process. In order to earn competitive market rates of return, balances in excess of daily operating requirements have been auctioned to direct clearers as term deposits since 1986. In 1989, the auction format was extended to demand deposits.

The level of the government's daily cash balances (term and demand) averaged $8.1 billion in fiscal 1997-98, higher than the average daily cash balance of $5.7 billion in 1996-97.

As previously mentioned, cash balances are invested in the market. Term deposits, typically for terms ranging between one and seven days, averaged $7.8 billion, $2.5 billion higher than the previous fiscal year. Earnings on term balances averaged 3.96 per cent, slightly higher than the average of 3.89 per cent in the prior year. Average demand balances, at $353 million, were $12 million lower than in 1996-97 and earned 2.81 per cent (compared to 2.99 per cent the previous year).

Chart 9
Average Level of Government of Canada Cash Balances, Fiscal Year 1997-98



Source: Department of Finance

Distribution of Holdings of Government of Canada Debt

Domestic Holdings of Government of Canada Debt

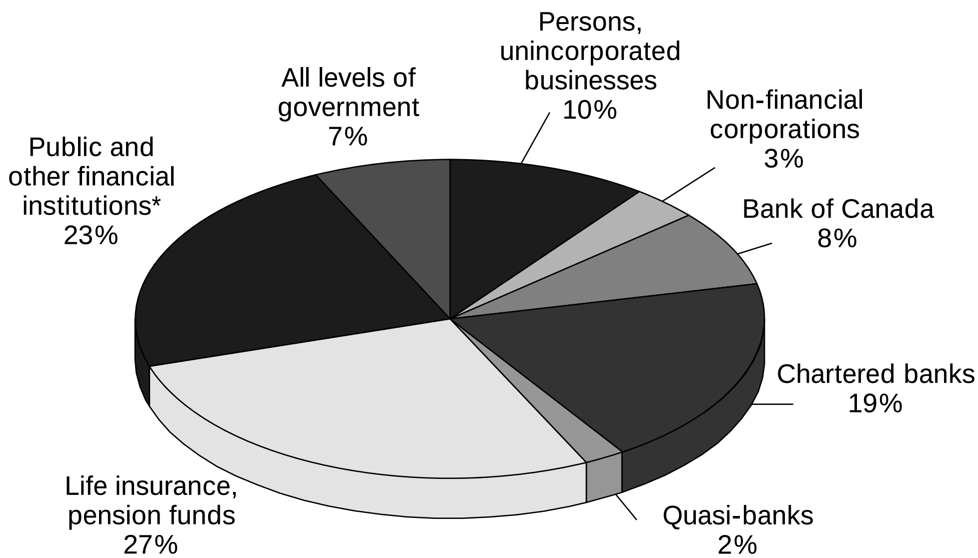
In 1997, life insurance companies and pension funds accounted for the largest share of domestic holdings of Government of Canada market debt (27 per cent), closely followed by public and other financial institutions.[7] Taken together, they accounted for 50 per cent of domestic holdings.

Persons and unincorporated businesses accounted for 10 per cent of domestic holdings, down almost 25 percentage points since 1990. The chartered banks' share of holdings of market debt has more than doubled since 1990, from 9 per cent to 19 per cent in 1997.

Bonds and bills held by public and other financial institutions also increased sharply over the 1990-1997 period – from 8 per cent in 1990 to 23 per cent in 1997. Much of the increase in the share of market debt held by public and other financial institutions can be attributed to a significant increase in mutual fund holdings.

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

Chart 10
Distribution of Domestic Holdings of Government of Canada Market Debt, 1997



Total: $350.8 billion at December 31, 1997
*Source: Statistics Canada, *The National Balance Sheet Accounts*

[7] Includes investment dealers, mutual funds, fire 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.

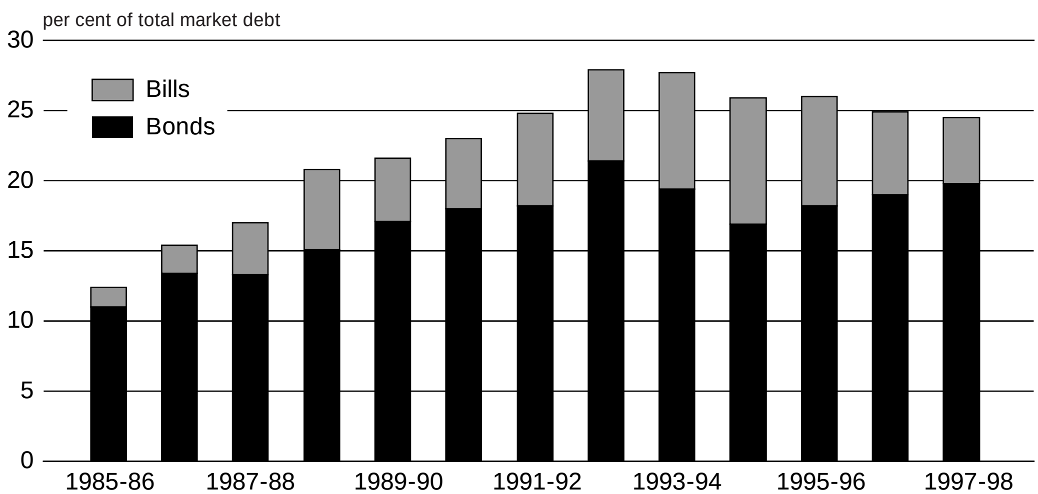
Non-Resident Holdings of Government of Canada Debt

Non-resident holdings of the Government of Canada's market debt decreased by $6.0 billion in fiscal year 1997-98. Total non-resident holdings were estimated to be $114.4 billion at the end of March 1998, representing about 24.7 per cent of the Government of Canada's total market debt. Since 1992-93, the share of market debt held by non-residents has been steadily declining.

Non-residents held $92.3 billion in government bonds in 1997-98, an increase of $1.0 billion from the previous year. Non-resident holdings of bills amounted to 4.8 per cent of total market debt at March 31, 1998, down more than 1 percentage point from 1996-97. Non-resident holdings of bills (Treasury bills and Canada Bills) declined by $7.0 billion over the fiscal year (see Reference Table V).

Chart 11

Non-Resident Holdings of Government of Canada Debt



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

Annex 1

Details on Canada's Foreign-Currency Debt, 1997-98

Foreign-Currency-Denominated Bonds

At the end of 1997-98, Canada had US$8.3 billion in fixed-rate bonds (of which US$3.3 billion was issued in 1997-98) and US$2.0 billion in Floating Rate Notes outstanding (issued in 1993-94).

The US$3.3 billion in fixed-rate bonds issued in 1997-98 consisted of three global bonds:

- in July 1997, a US$1.0 billion 6⅛-per-cent 5-year global bond due July 15, 2002;
- in October 1997, a New Zealand dollar 500 million (US$319 million equivalent) 6⅝-per-cent 10-year global bond due October 3, 2007; and
- in February 1998, a US$2.0 billion 5⅝-per-cent 5-year global bond due February 19, 2003.

Cross-Currency Swaps

In 1997-98, the federal government raised US$3.6 billion in foreign exchange reserves at attractive funding levels by entering into 13 cross-currency swaps, bringing the total cross-currency swaps to US$5.3 billion.[8]

Euro Medium-Term Notes (EMTNs)

In 1997-98, the federal government executed six transactions under the EMTN program:

- in July 1997, US$450 million 5½-per-cent 5-year notes due January 30, 2001 sold to Japanese retail investors (US$50 million was retired in September 1997);
- in July 1997, Japanese yen 5 billion Australian dollar 3.30-per-cent reverse dual currency notes (payment of principal is made in Japanese yen while interest payments are made in Australian dollars) due January 31, 2008 sold to Japanese institutions;
- in November 1997, Danish kroner 500 million 5¾-per-cent notes due December 22, 2004 sold to European retail investors;
- in November 1997, US$30 million deep discount 4.0-per-cent notes due November 19, 2007 sold to Japanese institutional investors;
- in February 1998, a series of Japanese yen notes totalling 2.4 billion with coupon rates from 0.01 per cent to 0.06 per cent due October 2, 2000; and
- in March 1998, British pound 300 million 6¼-per-cent notes due November 26, 2004.

---

[8] Further details are available in Reference Table IX.

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 System (DCS) operated by the 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 only issued in fully registered form. All Canadian dollar marketable bonds are non-callable. All Canadian dollar marketable bonds pay a fixed rate of interest semi-annually.

Issues of fixed-coupon marketable bonds are sold via public tender, with the Bank of Canada acting as the government's fiscal agent, to primary distributors made up of securities dealers that operate in Canada and who are members of the Investment Dealers Association of Canada, and a small number of Canadian chartered banks. These sales are via multiple-price auction.

Government of Canada Real Return Bonds (RRBs)

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

The 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 * reference CPI$_{maturity}$/reference CPI$_{base}$) - principal).

These bonds must be purchased, transferred, or sold, directly or indirectly, through a participant of the DCS and only in integral multiples of $1000 (face value). New issue distribution is through single-price auction to primary distributors.

Canada Savings Bonds (CSBs)

CSBs are currently offered for sale by most Canadian financial institutions. To facilitate their purchase, many Canadians elect to purchase CSBs through payroll deductions.

Except in certain specific circumstances, Canada Savings Bonds can only be registered in the name of residents of Canada and are available in both regular interest and compound interest forms. Denominations range from $100 to $10,000. All CSBs are non-callable and, except in certain limited circumstances, non-transferable.

CSBs pay a competitive rate of interest which is guaranteed for one or more years. They may be cashed at any time and, after the first three months, pay interest up to the end of the month prior to encashment.

Canada Premium Bonds (CPBs)

The Canada Premium Bond is a new retail investment and savings product introduced by the Government of Canada in 1998 and replaces the Canada RRSP Bond. Like the CSB, it is available in most Canadian financial institutions.

The Canada Premium Bond offers a higher interest rate compared to the CSB and is only redeemable once a year on the anniversary of the issue date and during the 30 days thereafter without penalty.

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 Canadian Depository for Securities Limited (CDS). Treasury bills must be purchased, transferred, or sold, directly or indirectly, through a participant of the DCS operated by the 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.

Treasury bills are sold by public tender on a discount basis to primary distributors of Government of Canada securities. Treasury bills with terms to maturity of approximately three, six, or 12 months are currently auctioned on a biweekly basis, generally on Tuesday for delivery Thursday. Under the biweekly issuance pattern, new 3-month (98 days) 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.

Cash Management Bills (CMBs) are also periodically issued by the Government of Canada. 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.

Canada Bills

Canada Bills are promissory notes denominated in U.S. 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 in New York: 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 U.S. 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, the issue price, stated maturity, redemption or repayment provisions, and any other terms are established by 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 Montreal Trust Company in New York City.

The notes are offered on a continuous basis by Canada through five dealers: CS First Boston, Goldman, Sachs & Co., Lehman Brothers, Nesbitt Burns Inc. and Scotia Capital Markets USA Inc. Canada 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 (EMTNs)

EMTNs are medium-term notes issued outside the United States and Canada. EMTNs are issued with fixed or floating interest rates, include embedded options, make coupon payments in one currency and the principal payment in another currency, and maturities can range from short-term to long-term. 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 Canada's agent for the particular transaction (called reverse inquiry). Canada EMTNs are sold on a bought-deal basis (i.e. the dealer purchasing EMTNs from Canada is responsible for the sale of the notes), and are sold on an intermittent basis.

The Arranger for Canada's EMTN program is Morgan Stanley & Co. International. The London-based dealer group includes CIBC Wood Gundy plc, Daiwa Europe Limited, Deutsche Morgan Grenfell, Goldman Sachs International, J.P. Morgan Securities Ltd., Merrill Lynch International, Morgan Stanley & Co. International, Nomura International, RBC Dominion Securities Inc., and UBS Limited.

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

Annex 3

New Auction Rules/Terms of Participation

Following extensive consultation with market participants, new auction rules and terms of participation relating to the primary distribution of Government of Canada securities were introduced on October 14, 1998. The new rules, which govern the participation of financial intermediaries and end-investors eligible to bid at auctions of Government of Canada securities, were designed to reinforce the integrity of the auction process and to encourage broad participation in it.

Under the new rules and terms of participation, there are 25 government securities distributors that participate in the primary distribution of bonds and Treasury bills. All government securities distributors must: (i) be members, or affiliates of members, of the Investment Dealers Association of Canada, and (ii) have their core trading and sales operations for Government of Canada securities resident in Canada.

Those government securities distributors which reach a specific threshold level of primary and secondary market activity in Government of Canada securities become a primary dealer, with commensurate responsibilities, and form part of the core group of distributors of Government of Canada securities. There are, at present, 15 primary dealers. The primary dealer designation can be attained for either Treasury bills or 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 Treasury bill and bond auction so as to provide coverage of auctions as a group, and consistently make two-sided markets in Treasury bills and bonds to a broad customer base. All government securities dealers have ongoing reporting requirements and special requirements to provide the Bank of Canada, on request, with market information (including trade activity and position reports) involving Government of Canada securities. In addition, all bidders at auctions of Government of Canada securities (including customers) must abide by the Investment Dealers Association Policy No. 5 governing standards for trading of debt securities in Canada.

There are bidding limits for government securities distributors and end-investors (or customers) at Treasury bill and bond auctions. For Treasury bill auctions, a primary dealer has a bidding limit for its own account of 25 per cent of each tranche being auctioned, while a government securities distributor has a limit of 10 per cent. The bidding limits for Government of Canada bond auctions vary by distributor depending on the firm's relative activity in the primary and secondary markets for these securities. Primary dealers have bond-bidding limits for their own account of between 10 per cent and 25 per cent of the amount of bonds being tendered, while government securities distributors have bond-bidding limits of between 1 per cent and 9 per cent.

The bidding limits for a customer for both Treasury bill and bond auctions are 25 per cent of the amount auctioned. Customer bids are submitted through government securities distributors.

The new rules feature several measures to ensure that the auction process cannot be used to help accumulate a controlling position in a Government of Canada security: each auction participant's bidding limit is reduced by the bidder's excess net long position (i.e. its net long position in excess of the product of its bidding limit and the par value of the outstanding stock of the security being auctioned); and the aggregate limit for the sum of bids submitted by a primary dealer for its own account and on behalf of its customers cannot exceed 40 per cent of the tender less the dealer's excess net long position.

More information on the new auction rules and terms of participation is available at the Bank of Canada's web site : www.bank-banque-canada.ca

Annex 4

Selected News Service Pages of Interest to Government of Canada Debt Market Participants

Bloomberg

WCR	–	Exchange rates
PXCA	–	Government of Canada benchmark bonds
PXCB	–	Government of Canada bonds
CND	–	Summary page of benchmark Canadian securities

Dow Jones Telerate

261	–	Exchange rates
3105	–	U.S./Canada capital markets
3109	–	Quarterly bond auction schedule
3110	–	Latest marketable bond auction results
3111	–	Treasury bill auction results
3112	–	Cumulative excess settlement balances/overnight rate
3143	–	Multicontributor page – Government of Canada bonds
3144	–	Multicontributor page – Canadian money markets
3159	–	Canadian yield curve/spread differentials to U.S.
3190	–	Canadian money markets
3193	–	Cash management bill auction results
3195	–	Latest RRB auction results
3196	–	Government of Canada and provincial government bonds
3197	–	10:00 a.m. fixing – Canadian BA rates
3198	–	10:00 a.m. fixing – Government of Canada Treasury bills
9728	–	10:30 a.m. Bank of Canada jobber averages – money market instruments
27455	–	10-year CGB futures (Montreal Exchange)
27456	–	BAX futures (Montreal Exchange)
27458	–	10-year bond cheapest-to-deliver (CGB futures) implied repo rate

Reuters

WRLD	–	Exchange rates
BOFC	–	Canadian dollar exchange rates
CRRBONDS	–	Benchmark Government of Canada bonds and money markets
CAACTIVE= <F3>	–	Government of Canada bonds and Treasury bills
CDMM	–	Canadian money markets
CDBN	–	Canadian bonds
CABONDT	–	U.S./Canada capital markets
CDOR	–	10:00 a.m. fixing – Canadian BA rates
CDOS	–	10:00 a.m. fixing – Canadian Treasury bill rates
FPRH	–	Swap quotes
BAX <F3>	–	BAX futures (Montreal Exchange)
BAR <F3>	–	BAR futures (Montreal Exchange)
BOC WATCH	–	Bank of Canada auction information and history

Department of Finance – Government of Canada Securities Internet Address
http://www.fin.gc.ca/secur/gocsec_e.html
Bank of Canada Home Page Internet Address
http://www.bank-banque-canada.ca

Annex 5

Glossary

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

Contingency Reserve: Funds set aside in the fiscal projections to provide a cushion against adverse changes in the economy. When the funds are not needed, the Contingency Reserve is used to pay down the public debt.

Exchange Fund Account: A fund maintained by the Government of Canada for the purpose of promoting order and stability of the Canadian dollar on 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/Surplus: Measure the difference between the cash coming in to the government and the cash going out. In the case of a financial requirement, it is therefore 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 both of 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 includes marketable bonds, Treasury bills, retail debt (primarily Canada Savings Bonds) and foreign-currency-denominated bonds and bills.

Net Public Debt: Consists of interest-bearing debt and other liabilities, net of financial assets.

Non-Market Debt: Includes the government's internal debt which is, for the most part, federal public sector pension liabilities, the government's current liabilities (e.g., accounts payable, accrued liabilities, interest and payment of matured debt), and bonds issued to the Canada Pension Plan.

Reference Tables

I Gross public debt, outstanding market debt and debt charges 39

II Government of Canada outstanding market debt 40

III Average weekly domestic market trading in Government of Canada securities, April 1997 to March 1998 41

IV Distribution of domestic holdings of Government of Canada securities 42

V Non-resident holdings of Government of Canada debt 48

VI Fiscal 1997-98 Treasury bill program 49

VII Fiscal 1997-98 Canadian dollar marketable bond program 51

VIII Outstanding Government of Canada Canadian dollar marketable bonds as at March 31, 1998 52

IX Government of Canada swaps outstanding as at March 31, 1998 54

X Canada Savings Bonds, fiscal 1982-83 to fiscal 1997-98 55

XI Crown corporation borrowings as at March 31, 1998 56

Reference Table I

Gross public debt, outstanding market debt and debt charges

Fiscal year ending March 31	Gross public debt: Outstanding	Gross public debt: Fixed-rate portion[1]	Gross public debt: Total debt charges	Outstanding market debt[2]: Outstanding	Outstanding market debt[2]: Fixed-rate Portion	Outstanding market debt[2]: Total debt charges	Outstanding market debt[2]: Average interest rate
	($ billions)	(per cent)	($ billions)	($ billions)	(per cent)	($ billions)	(per cent)
1985-86	274.8	51.9	25.4	200.8	36.8	20.7	10.68
1986-87	308.9	50.9	26.7	226.8	37.2	21.5	9.37
1987-88	340.1	51.2	29.0	248.3	38.6	23.1	9.62
1988-89	371.5	49.6	33.2	273.3	37.6	26.5	10.83
1989-90	397.2	49.9	38.8	291.5	38.5	31.4	11.22
1990-91	433.3	50.4	42.6	320.4	38.9	34.3	10.73
1991-92	467.4	50.7	41.2	348.4	39.3	32.4	8.85
1992-93	503.9	50.4	38.8	379.2	39.4	29.4	7.86
1993-94	546.4	53.3	38.0	410.5	43.1	28.0	6.73
1994-95	584.8	55.1	42.0	437.5	44.8	31.4	7.96
1995-96	624.7	56.9	46.9	466.1	48.3	35.3	7.33
1996-97	640.7	61.7	45.0	473.4	54.2	33.0	6.63
1997-98	638.5	63.7	40.9	463.8	57.3	31.0	6.80

[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] Outstanding market debt equals unmatured debt minus bonds for the Canada Pension Plan.

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

Reference Table II

Government of Canada outstanding market debt[1]

	Payable in Canadian dollars				Payable in foreign currencies						
	Treasury bills	Marketable bonds	Retail debt	Total	Marketable bonds	Canada Bills	Canada Notes	Standby drawings	Terms loans	Total	Total market
					(millions of Canadian dollars)						
Fiscal years ending March 31											
1977-78	11,295	21,645	18,036	50,477	181	0	0	850	0	1,031	51,580
1978-79	13,535	26,988	19,443	59,474	3,319	0	0	2,782	1,115	7,216	66,544
1979-80	16,325	33,387	18,182	67,407	3,312	0	0	359	1,030	4,701	72,908
1980-81	21,770	40,976	15,966	78,531	3,236	0	0	355	1,046	4,637	83,002
1981-82	19,375	43,605	25,108	87,912	3,867	0	0	0	550	4,417	93,013
1982-83	29,125	48,473	32,753	110,182	4,872	0	0	0	362	5,234	116,391
1983-84	41,700	56,976	38,403	136,914	4,306	0	0	510	398	5,214	142,712
1984-85	52,300	69,354	42,167	163,723	4,972	0	0	1,909	1,172	8,053	172,514
1985-86	61,950	81,163	44,607	187,624	9,331	0	0	2,233	2,247	13,811	200,784
1986-87	76,950	94,520	43,854	215,230	9,120	1,045	0	0	2,047	12,212	226,815
1987-88	81,050	103,899	52,558	237,507	8,438	1,045	0	0	2,257	11,740	248,317
1988-89	102,700	115,748	47,048	265,496	6,672	1,131	0	0	934	8,737	273,296
1989-90	118,550	127,681	40,207	286,439	4,364	1,446	0	0	0	5,810	291,490
1990-91	139,150	143,601	33,782	316,532	3,555	1,008	0	0	0	4,563	320,411
1991-92	152,300	158,059	35,031	345,389	3,535	0	0	0	0	3,535	348,384
1992-93	162,050	178,436	33,884	374,370	2,926	2,552	0	0	0	5,478	379,236
1993-94	166,000	203,373	30,866	400,238	5,019	5,649	0	0	0	10,668	410,478
1994-95	164,450	225,513	30,756	420,719	7,875	9,046	0	0	0	16,921	437,510
1995-96	166,100	252,411	30,801	449,313	9,514	6,986	310	0	0	16,810	466,069
1996-97	135,400	282,059	32,911	450,370	12,460	8,436	2,121	0	0	23,017	473,387
1997-98	112,300	294,028	30,302	436,630	16,101	9,356	1,624	0	0	27,081	463,835

[1] 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.

Source: *Bank of Canada Review,* Department of Finance

Reference Table III

Average weekly domestic market trading in Government of Canada securities, April 1997 to March 1998

		Marketable bonds					
	Treasury bills	3 years and under	3 to 10 years	Over 10 years	Real return bonds	Total marketable bonds	Total
				(millions of dollars)			
April 1997	64,372	44,967	40,024	15,970	201	101,163	165,535
May 1997	53,979	40,392	38,903	14,920	189	94,403	148,382
June 1997	53,875	50,664	45,065	13,337	610	109,675	163,550
July 1997	49,248	41,173	41,323	10,511	321	93,328	142,576
August 1997	45,685	53,507	48,639	14,410	309	116,865	162,550
September 1997	48,600	41,433	40,543	13,101	396	95,473	144,073
October 1997	44,736	39,232	45,678	16,343	522	101,775	146,511
November 1997	47,447	32,224	40,809	15,569	222	88,824	136,271
December 1997	41,680	40,959	38,501	11,993	379	91,832	133,512
January 1998	45,814	41,336	41,436	15,455	187	98,414	144,228
February 1998	45,061	38,716	42,546	15,047	121	96,430	141,491
March 1998	35,865	47,129	37,914	15,447	359	100,850	136,715

Source: *Bank of Canada Review*

Reference Table IV

Distribution of domestic holdings of Government of Canada securities

PART A – Treasury bills, Canada Billls, bonds[1] and Canada Savings 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
				(millions of dollars)					
1976	17,944	395	8,242	8,666	716	1,436	2,261	730	40,390
1977	20,302	306	10,268	9,601	1,048	2,271	3,104	1014	47,914
1978	22,736	418	12,001	9,896	1,537	3,738	4,006	1,721	56,053
1979	23,140	372	13,656	10,156	1,684	6,716	4,108	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	5,529	17,816	9,984	5,321	126,424
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	86,539	8,634	20,606	21,115	7,527	42,460	19,028	17,186	223,095
1989	84,650	11,402	21,133	19,804	9,853	46,037	23,850	17,840	234,569
1990	81,554	11,933	20,325	23,224	10,413	52,984	26,051	19,543	246,027
1991	75,304	11,655	22,370	35,792	12,069	55,846	33,054	21,015	267,105
1992	73,163	13,647	22,607	44,555	12,440	60,042	39,396	20,223	286,073
1993	63,843	10,359	23,498	60,242	11,073	69,930	45,077	16,397	300,419
1994	52,704	12,039	24,902	70,063	10,051	78,563	52,599	25,449	326,370
1995	47,737	11,974	23,590	76,560	10,900	87,284	58,955	24,742	341,742
1996	47,532	10,539	25,556	74,789	10,521	88,005	83,212	22,758	362,912
1997	36,037	12,028	27,198	67,715	7,359	95,875	80,028	24,534	350,774

Reference Table IV *(cont'd)*
Distribution of domestic holdings of Government of Canada securities
PART B – Treasury bills, Canada Bills, bonds[1] and Canada Savings 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*
					(per cent)				
1976	44.43	0.98	20.41	21.46	1.77	3.56	5.60	1.81	100.00
1977	42.37	0.64	21.43	20.04	2.19	4.74	6.48	2.12	100.00
1978	40.56	0.75	21.41	17.65	2.74	6.67	7.15	3.07	100.00
1979	36.90	0.59	21.78	16.20	2.69	10.71	6.55	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	39.79	4.35	13.34	11.95	4.37	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	38.79	3.87	9.24	9.46	3.37	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	33.15	4.85	8.26	9.44	4.23	21.54	10.59	7.94	100.00
1991	28.19	4.36	8.37	13.40	4.52	20.91	12.37	7.87	100.00
1992	25.57	4.77	7.90	15.57	4.35	20.99	13.77	7.07	100.00
1993	21.25	3.45	7.82	20.05	3.69	23.28	15.00	5.46	100.00
1994	16.15	3.69	7.63	21.47	3.08	24.07	16.12	7.80	100.00
1995	13.97	3.50	6.90	22.40	3.19	25.54	17.25	7.24	100.00
1996	13.10	2.90	7.04	20.61	2.90	24.25	22.93	6.27	100.00
1997	10.27	3.43	7.75	19.30	2.10	27.33	22.81	6.99	100.00

* May not add due to rounding.

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
				(millions of dollars)					
1976	186	125	1,964	4,219	52	44	500	193	7,283
1977	413	121	2,461	4,949	143	98	1,016	311	9,512
1978	570	213	3,567	5,517	193	261	1,545	519	12,385
1979	797	163	4,345	6,690	65	245	1,540	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	3,158	2,587	5,376	1,286	36,793
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	20,186	7,414	9,945	15,224	5,624	7,648	9,133	7,726	82,900
1989	32,639	9,668	11,124	16,410	8,115	7,664	12,408	9,251	107,279
1990	37,730	10,816	10,574	16,841	8,929	11,737	12,998	9,388	119,013
1991	32,321	10,483	13,093	24,382	9,080	10,386	17,636	10,417	127,798
1992	34,864	11,215	14,634	27,989	9,661	11,639	19,907	8,726	138,635
1993	29,561	9,657	16,876	29,901	9,097	17,050	22,336	5,151	139,629
1994	17,358	8,499	18,973	30,415	6,898	14,402	22,021	10,713	129,279
1995	14,306	9,204	18,298	30,865	7,645	15,422	25,183	10,078	131,001
1996	13,034	8,289	17,593	23,470	5,366	11,385	32,657	4,859	116,653
1997	39	8,535	14,233	19,448	3,261	9,557	33,402	4,388	92,863

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*
				(per cent)					
1976	2.55	1.72	26.97	57.93	0.71	0.60	6.87	2.65	100.00
1977	4.34	1.27	25.87	52.03	1.50	1.03	10.68	3.27	100.00
1978	4.60	1.72	28.80	44.55	1.56	2.11	12.47	4.19	100.00
1979	5.43	1.11	29.58	45.55	0.44	1.67	10.48	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	10.24	13.99	7.05	35.00	8.58	7.03	14.61	3.50	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	24.35	8.94	12.00	18.36	6.78	9.23	11.02	9.32	100.00
1989	30.42	9.01	10.37	15.30	7.56	7.14	11.57	8.62	100.00
1990	31.70	9.09	8.88	14.15	7.50	9.86	10.92	7.89	100.00
1991	25.29	8.20	10.25	19.08	7.10	8.13	13.80	8.15	100.00
1992	25.15	8.09	10.56	20.19	6.97	8.40	14.36	6.29	100.00
1993	21.17	6.92	12.09	21.41	6.52	12.21	16.00	3.69	100.00
1994	13.43	6.57	14.68	23.53	5.34	11.14	17.03	8.29	100.00
1995	10.92	7.03	13.97	23.56	5.84	11.77	19.22	7.69	100.00
1996	11.17	7.11	15.08	20.12	4.60	9.76	27.99	4.17	100.00
1997	0.04	9.19	15.33	20.94	3.51	10.29	35.97	4.73	100.00

* May not add due to rounding.

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
					(millions of dollars)				
1976	1,274	270	6,278	4,447	664	1,392	1,761	537	16,623
1977	1,696	185	7,807	4,652	905	2,173	2,088	703	20,209
1978	1,931	205	8,434	4,379	1,344	3,477	2,461	1,202	23,433
1979	3,721	209	9,311	3,466	1,619	6,471	2,568	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	11,476	1,220	10,661	5,891	1,903	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	8,306	1,117	9,751	6,383	1,484	41,247	13,053	10,155	91,496
1991	5,676	1,172	9,277	11,410	2,989	45,460	15,418	10,598	102,000
1992	2,417	2,432	7,973	16,566	2,779	48,403	19,489	11,497	111,556
1993	1,659	702	6,622	30,341	1,976	52,880	22,741	11,246	128,167
1994	1,834	3,540	5,929	39,648	3,153	64,161	30,578	14,736	163,579
1995	1,072	2,770	5,292	45,695	3,255	71,862	33,772	14,664	178,382
1996	108	2,250	7,963	51,319	5,155	76,620	50,555	17,899	211,869
1997	4,710	3,493	12,965	48,267	4,098	86,318	46,626	20,146	226,623

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*
					(per cent)				
1976	7.66	1.62	37.77	26.75	3.99	8.37	10.59	3.23	100.00
1977	8.39	0.92	38.63	23.02	4.48	10.75	10.33	3.48	100.00
1978	8.24	0.87	35.99	18.69	5.74	14.84	10.50	5.13	100.00
1979	12.66	0.71	31.67	11.79	5.51	22.01	8.73	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	13.45	1.43	12.50	6.90	2.23	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	9.08	1.22	10.66	6.98	1.62	45.08	14.27	11.10	100.00
1991	5.56	1.15	9.10	11.19	2.93	44.57	15.12	10.39	100.00
1992	2.17	2.18	7.15	14.85	2.49	43.39	17.47	10.31	100.00
1993	1.29	0.55	5.17	23.67	1.54	41.26	17.74	8.77	100.00
1994	1.12	2.16	3.62	24.24	1.93	39.22	18.69	9.01	100.00
1995	0.60	1.55	2.97	25.62	1.82	40.29	18.93	8.22	100.00
1996	0.05	1.06	3.76	24.22	2.43	36.16	23.86	8.45	100.00
1997	2.08	1.54	5.72	21.30	1.81	38.09	20.57	8.89	100.00

Note: Because of timing and valuation differences, the *National Balance Sheet* 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 is 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, fire 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, as well as provincial, municipal and hospital holdings, and holdings of the Canada Pension Plan and the Quebec Pension Plan.

* May not add due to rounding.

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

Reference Table V

Non-resident 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
		(billions of Canadian dollars)		
1979	5.0	0.9	5.9	8.9
1980	5.6	0.7	6.3	9.4
1981	6.8	1.1	7.9	9.5
1982	8.8	1.1	9.9	10.7
1983	10.0	1.6	11.6	10.0
1984	10.3	2.6	12.9	9.1
1985	14.5	4.6	19.1	11.1
1986	22.1	3.0	25.1	12.4
1987	30.3	4.7	35.0	15.4
1988	33.0	9.3	42.3	17.0
1989	41.3	15.7	57.0	20.8
1990	49.9	13.3	63.2	21.6
1991	57.6	16.1	73.7	23.0
1992	63.6	23.0	86.6	24.8
1993	80.9	24.8	105.7	27.9
1994	79.3	34.0	113.3	27.6
1995	73.6	39.2	112.8	25.8
1996	84.1	36.7	120.8	25.9
1997	91.3	29.1	120.4	25.4
1998	92.3	22.1	114.4	24.7

[1] Includes bonds denominated in foreign currencies.

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

Reference Table VI

Fiscal 1997-98 Treasury bill program

	Maturing					New issues					Net increment			Average tender yields			
Date	CMB	3 mo	6 mo	12 mo	Total	CMB	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S	CMB	3 mo	6 mo	12 mo
	(millions of dollars)													(per cent)			
3-Apr-97	3,000	2,300	0	2,700	8,000	0	2,900	1,300	1,200	5,400	-2,600	-2,600	132,800		3.28	3.63	4.22
10-Apr-97	0	2,500	2,900	0	5,400	0	2,400	1,300	1,100	4,800	-600	-3,200	132,200		3.06	2.48	4.36
17-Apr-97	0	2,400	0	2,500	4,900	0	2,400	1,200	1,200	4,800	-100	-3,300	132,100		3.20	3.30	4.33
24-Apr-97	0	2,400	2,800	0	5,200	0	2,400	1,300	1,100	4,800	-400	-3,700	131,700		3.20	3.63	4.23
1-May-97	1,500	2,600	0	2,500	6,600	0	2,300	1,200	1,200	4,700	-1,900	-5,600	129,800		3.14	3.59	4.23
8-May-97	0	2,600	2,800	0	5,400	0	2,300	1,200	1,000	4,500	-900	-6,500	128,900		3.00	3.36	3.96
15-May-97	0	2,600	0	2,500	5,100	0	2,200	1,000	1,100	4,300	-800	-7,200	128,100		3.06	3.43	3.97
22-May-97	0	2,700	2,600	0	5,300	0	2,000	1,100	1,000	4,100	-1,200	-8,500	126,900		3.11	3.46	3.89
29-May-97	0	3,000	0	2,500	5,500	0	2,200	1,100	1,100	4,400	-1,100	-9,600	125,800		3.01	3.39	3.87
5-Jun-97	0	3,200	2,800	0	5,800	0	2,200	1,200	1,000	4,400	-1,400	-11,000	124,400		2.98	3.31	3.79
12-Jun-97	0	3,300	0	2,300	5,600	0	2,200	1,100	1,100	4,400	-1,200	-12,200	123,200		2.90	3.33	3.81
19-Jun-97	0	3,400	2,500	0	5,900	0	2,200	1,100	1,000	4,300	-1,600	-13,800	121,600		2.86	3.19	3.60
24-Jun-97	0	3,500	0	2,200	5,700	0	2,300	1,100	1,100	4,500	-1,200	-15,000	120,400		2.86	3.18	3.67
3-Jul-97	0	2,900	2,400	0	5,300	3,000	2,400	1,200	1,100	7,700	2,400	-12,600	122,800	3.19	3.17	3.52	4.01
10-Jul-97	0	2,400	0	2,200	4,600	0	2,400	1,100	1,100	4,600	0	-12,600	122,800		3.06	3.40	3.90
17-Jul-97	0	2,400	2,600	0	5,000	0	2,400	1,200	1,000	4,600	-400	-13,000	122,400		3.21	3.55	4.16
24-Jul-97	0	2,400	0	2,400	4,800	0	2,500	1,200	1,100	4,800	0	-13,000	122,400		3.38	3.77	4.26
31-Jul-97	0	2,300	2,600	0	4,900	0	2,400	1,200	1,000	4,600	-300	-13,300	122,100		3.32	3.73	4.26
7-Aug-97	3,000	2,300	0	2,600	7,900	0	2,300	1,100	1,000	4,400	-3,500	-16,800	118,600		3.32	3.71	4.19
14-Aug-97	0	2,200	2,800	0	4,800	500	2,200	1,100	1,000	4,800	0	-16,800	118,600	3.81	3.14	3.69	3.89
21-Aug-97	0	2,000	0	2,600	4,600	0	2,100	1,100	1,000	4,200	-400	-17,200	118,200		2.99	3.57	4.05
28-Aug-97	0	2,200	2,700	0	4,900	0	2,100	1,100	1,000	4,200	-700	-17,900	117,500		3.13	3.71	4.21
4-Sep-97	0	2,200	0	2,600	4,800	0	2,100	1,100	1,000	4,200	-800	-18,500	116,900		3.08	3.65	4.13
11-Sep-97	0	2,200	3,000	0	5,200	0	2,100	1,800	1,000	4,900	-300	-18,800	116,600		2.99	3.59	4.18
18-Sep-97	0	2,200	0	2,400	4,600	0	3,700	2,000	1,800	7,500	2,900	-15,900	119,500		2.97	3.56	4.17
25-Sep-97	0	2,300	2,900	0	5,200	1,000	0	0	0	1,000	-4,200	-20,100	115,300	3.04	–	–	–
2-Oct-97	1,000	2,400	0	2,200	5,600	0	4,300	2,100	1,900	8,300	2,700	-17,400	118,000		3.10	3.62	4.17
9-Oct-97	0	2,400	2,500	0	4,900	3,000	0	0	0	3,000	-1,900	-19,300	116,100	3.25	–	–	–
16-Oct-97	0	2,400	0	2,200	4,600	0	4,100	2,000	1,900	8,000	3,400	-15,900	119,500		3.30	3.69	4.20
23-Oct-97	0	2,500	2,500	0	5,000	2,000	0	0	0	2,000	-3,000	-18,900	-116,500	3.51	–	–	–
30-Oct-97	0	2,400	0	2,200	4,600	0	4,100	2,000	1,900	8,000	3,400	-15,500	119,900		3.63	3.00	4.20
8-Nov-97	0	2,300	2,200	0	4,500	0	0	0	0	0	-4,500	-20,000	115,400		–	–	–
13-Nov-97	2,000	2,200	0	2,200	6,400	0	4,000	2,100	1,900	8,000	1,600	-18,400	117,000		3.63	3.93	4.25
20-Nov-97	0	2,100	2,200	0	4,300	0	0	0	0	0	-4,300	-22,700	112,700		–	–	–
27-Nov-97	0	2,100	0	2,200	4,300	0	4,000	2,100	1,900	8,000	3,700	-19,000	116,400		3.57	3.93	4.25
4-Dec-97	3,000	2,100	2,300	0	7,400	0	0	0	0	0	-7,400	-26,400	109,000		–	–	–
11-Dec-97	0	2,100	0	2,200	4,300	0	3,800	2,000	1,800	7,600	3,300	-23,100	112,300		3.80	4.25	4.60

Reference Table VI *(cont'd)*
Fiscal 1997-98 Treasury bill program

	Maturing					New issues					Net increment			Average tender yields			
Date	CMB	3 mo	6 mo	12 mo	Total	CMB	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S	CMB	3 mo	6 mo	12 mo
	(millions of dollars)													(per cent)			
18-Dec-97	0	0	2,200	0	2,200	0	0	0	0	0	-2,200	-25,300	110,100		–	–	–
23-Dec-97	0	3,700	0	2,100	5,800	0	3,400	1,800	1,600	6,800	1,000	-24,300	111,100		4.46	4.88	5.20
30-Dec-97	0	0	2,300	0	2,300	0	0	0	0	0	-2,300	-26,600	108,800		–	–	–
8-Jan-98	0	4,300	0	2,100	6,400	0	4,000	2,100	1,900	8,000	1,600	-25,000	110,400		4.17	4.69	5.01
15-Jan-98	0	0	2,400	0	2,400	0	0	0	0	0	-2,400	-27,300	108,000		–	–	–
22-Jan-98	0	4,100	0	2,200	6,300	0	4,000	2,100	1,900	8,000	1,700	-25,700	109,700		4.18	4.60	4.91
29-Jan-98	0	0	2,300	0	2,300	0	0	0	0	0	-2,300	-28,000	107,400		–	–	–
5-Feb-98	0	4,100	0	2,300	6,400	0	4,200	2,200	1,900	8,300	1,900	-26,100	109,300		4.52	4.94	5.07
12-Feb-98	0	0	2,200	0	2,200	0	0	0	0	0	-2,200	-28,300	107,100		–	–	–
19-Feb-98	0	4,000	0	2,200	6,200	0	4,000	2,100	1,900	8,000	1,800	-26,500	108,900		4.57	4.89	5.09
26-Feb-98	0	0	2,200	0	2,200	2,500	0	0	0	2,500	300	-26,200	109,200	4.56	–	–	–
5-Mar-98	0	4,000	0	2,300	6,300	0	4,200	2,100	1,900	8,200	1,900	-24,300	111,100		4.65	4.08	5.10
12-Mar-98	0	0	1,800	0	1,800	2,500	0	0	0	2,500	700	-23,600	111,800	4.60	–	–	–
19-Mar-98	0	3,800	4,100	2,300	10,200	2,500	4,200	2,100	1,900	10,700	500	-23,100	112,300	4.67	4.58	4.75	4.96
26-Mar-98	0	0	0	0	0	0	0	0	0	0	0	-23,100	112,300		–	–	–
Total	13,500	119,500	66,600	60,700	260,300	17,000	111,000	57,200	51,600	236,900	-23,500	–	112,300		–	–	–

Source: Bank of Canada.

Reference Table VII

Fiscal 1997-98 Canadian dollar marketable bond program

Offering date	Delivery date	Maturity date	Maturing	Gross	Net
			(millions of dollars)		
Fixed-coupon bonds					
1997	1997				
April 23	May 1	June 1, 2027		1,300	1,300
May 7	May 15	June 1, 2007	876	2,400	1,524
May 28	June 2	September 1, 2002		2,600	2,600
June 11	June 16	September 15, 1999		3,500	3,500
—	July 2*	—	4,200	0	-4,200
July 23	August 1	June 1, 2027		1,300	1,300
August 6	August 15	June 1, 2008		2,300	2,300
August 27	September 2	September 1, 2002		2,500	2,500
September 10	September 15	September 15, 1999	5,400	3,500	-1,900
—	October 1*	—	2,775	0	-2,775
October 29	November 3	June1, 2027		1,200	1,200
November 5	November 17	June 1, 2008		2,300	2,300
November 26	December 1	September 1, 2002		2,400	2,400
December 10	December 15	March 15, 2000		3,500	3,500
1998	1998				
January 28	February 2	June 1, 2029	6,600	1,200	-5,400
February 11	February 16	June 1, 2008		2,300	2,300
February 18	March 2	September 1, 2003		2,400	2,400
March 11	March 16	March 15, 2000	8,122	3,500	-4,622
Real Return Bonds					
1997	1997				
June 4	June 9	December 1, 2026		500	500
September 3	September 8	December 1, 2026		400	400
December 3	December 8	December 1, 2026		400	400
1998	1998				
March 4	March 9	December 1, 2026		400	400
Total fiscal year 1997-98			27,973	39,900	11,927

* Maturing date

Source: Bank of Canada

Reference Table VIII

Outstanding Government of Canada Canadian dollar marketable bonds as of March 31, 1998

Maturity date	Amount	Coupon rate	Maturity date	Amount	Coupon rate
	(millions of dollars)	(per cent)		(millions of dollars)	(per cent)
Fixed-coupon					
01-Sep-1998	6,800.0	6.50	01-Feb-2002	213.0	8.75
15-Sep-1998	6,000.0	6.25	15-Mar-2002	350.0	15.50
01-Oct-1998	3,100.0	9.50	01-Apr-2002	5,450.0	8.50
01-Nov-1998	5,100.0	8.00	01-May-2002	1,850.0	10.00
01-Dec-1998	2,275.0	10.25	01-Sep-2002	10,200.0	5.50
01-Mar-1999	6,700.0	5.75	15-Dec-2002	1,625.0	11.25
15-Mar-1999	6,000.0	4.00	01-Feb-2003	2,700.0	11.75
01-Aug-1999	5,600.0	6.50	01-Jun-2003	6,900.0	7.25
01-Sep-1999	8,500.0	7.75	01-Sep-2003	2,400.0	5.25
15-Sep-1999	7,000.0	4.75	01-Oct-2003	670.5	9.50
15-Oct-1999	527.5	9.00	01-Dec-2003	8,800.0	7.50
01-Dec-1999	2,825.0	9.25	01-Feb-2004	2,200.0	10.25
01-Dec-1999	400.0	13.50	01-Jun-2004	7,900.0	6.50
01-Feb-2000	5,500.0	5.50	01-Jun-2004	550.0	13.50
01-Mar-2000	6,500.0	8.50	01-Oct-2004	875.0	10.50
15-Mar-2000	7,000.0	5.00	01-Dec-2004	7,700.0	9.00
15-Mar-2000	1,050.0	13.75	01-Mar-2005	1,775.0	12.00
01-May-2000	1,575.0	9.75	01-Sep-2005	1,375.0	12.25
01-Jul-2000	2,900.0	10.50	01-Dec-2005	8,000.0	8.75
01-Jul-2000	175.0	15.00	01-Mar-2006	975.0	12.50
01-Sep-2000	7,600.0	7.50	01-Oct-2006	1,025.0	14.00
01-Sep-2000	1,200.0	11.50	01-Dec-2006	9,100.0	7.00
15-Dec-2000	500.0	9.75	01-Mar-2007	325.0	13.75
01-Feb-2001	425.0	15.75	01-Jun-2007	9,500.0	7.25
01-Mar-2001	9,400.0	7.50	01-Oct-2007	700.0	13.00
01-Mar-2001	3,175.0	10.50	01-Mar-2008	750.0	12.75
01-May-2001	1,325.0	13.00	01-Jun-2008	6,900.0	6.00
01-Jun-2001	3,550.0	9.75	01-Jun-2008	3,450.0	10.00
01-Sep-2001	10,600.0	7.00	01-Oct-2008	725.0	11.75
01-Oct-2001	1,232.8	9.50	01-Mar-2009	400.0	11.50
01-Dec-2001	3,850.0	9.75			

Reference Table VIII *(cont'd)*
Outstanding Government of Canada Canadian dollar marketable bonds as at March 31, 1998

Maturity date	Amount	Coupon rate
	(millions of dollars)	(per cent)
Fixed-coupon		
01-Jun-2009	925.0	11.00
01-Oct-2009	1,300.0	10.75
01-Mar-2010	325.0	9.75
01-Jun-2010	2,975.0	9.50
01-Oct-2010	325.0	8.75
01-Mar-2011	1,975.0	9.00
01-Jun-2011	750.0	8.50
15-Mar-2014	3,150.0	10.25
15-Jun-2015	2,350.0	11.25
15-Mar-2021	1,800.0	10.50
01-Jun-2021	4,650.0	9.75
01-Jun-2022	2,550.0	9.25
01-Jun-2023	8,200.0	8.00
01-Jun-2025	8,900.0	9.00
01-Jun-2027	9,600.0	8.00
01-Jun-2029	1,200.0	5.75
Total	284.7	

Maturity date	Amount	Coupon rate
	(millions of dollars)	(per cent)
Real Return Bonds		
01-Dec-2021	5,175.0	4.25
01-Dec-2026	4,050.0	4.25
Total[1]	9,225.0	

[1] Real Return Bond figures show gross issue amount only – the CPI adjustment is not shown here.

Source: Bank of Canada

Reference Table IX

Government of Canada swaps outstanding as at March 31, 1998

Domestic interest rate swaps			Cross-currency swaps	
Maturity date	Coupon[1]	Notional amount	Maturity date	Notional amount
	(per cent)	(millions of dollars)		(millions of U.S. dollars)
05-Sep-98	6.50	100	01-Mar-00	286
01-Oct-98	9.50	150	04-Sep-01	1,000
01-Dec-98	10.25	100	01-Sep-02	1,250
01-Mar-99	5.75	1,000	15-Dec-02	600
01-Sep-99	7.75	100	01-Mar-05	500
01-Mar-00	8.50	400	01-Dec-05	500
01-Jun-01	9.75	250	01-Jun-07	750
01-Feb-04	10.25	50	01-Mar-08	200
			01-Jun-08	250
Total		2,150	Total	5,336

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

Source: Bank of Canada

Reference Table X

Canada Savings Bonds, fiscal 1982-83 to fiscal 1997-98

Fiscal year	Gross sales during campaign[1]	Net sales during campaign[1]	Outstanding at fiscal year end[2]
		(millions of dollars)	
1982-83	11,229	9,567	32,753
1983-84	11,584	8,761	38,403
1984-85	12,743	9,768	42,167
1985-86	15,107	10,157	44,607
1986-87	9,191	5,177	43,854
1987-88	17,450	14,913	52,558
1988-89	14,962	6,454	47,048
1989-90	9,338	3,121	40,207
1990-91	6,720	1,660	33,781
1991-92	9,588	4,733	35,031
1992-93	9,235	3,275	33,884
1993-94	5,364	842	30,866
1994-95	7,506	5,709	30,756
1995-96	4,612	3,352	30,801
1996-97	5,710	4,730	32,911
1997-98	4,885	701	30,302

[1] The figures shown are for the CSB campaign period, not the entire fiscal period; net sales are gross sales less redemptions during the period.

[2] Figures in accordance with Bank of Canada reports, which may vary slightly from public accounts categories due to differences in classification methods.

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

Reference Table XI
Crown corporation borrowings as at March 31

Borrowings from the market

Corporation	1990	1991	1992	1993	1994	1995	1996	1997	1998
				(millions of dollars)					
Export Development Corporation	5,802	5,685	6,220	6,983	7,793	7,515	7,673	7,820	10,077
Canadian Wheat Board	4,354	6,449	7,323	6,966	7,283	7,321	6,377	6,474	6,698
Business Development Bank of Canada	2,299	2,271	2,249	2,352	2,602	2,723	3,045	3,371	3,839
Farm Credit Corporation	1,216	1,128	813	797	863	990	1,582	1,926	3,026
CN*	1,716	1,861	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
Canada Development Investment Corporation	566	612	713	594	473	–	–	–	–
Petro-Canada Ltd.	2,450	1,656	980	455	501	504	490	432	443
Petro-Canada*	–	718	–	–	–	–	–	–	–
Canada Ports Corporation	–	–	200	188	–	–	–	–	–
Other	42	98	96	97	239	235	297	226	262
Total	18,445	20,478	20,493	20,489	23,576	25,249	25,370	28,115	34,279

* These corporations are no longer Crown corporations.

Source: *Public Accounts of Canada*.

Borrowings from the Consolidated Revenue Fund

Corporation	1990	1991	1992	1993	1994	1995	1996	1997	1998
				(millions of dollars)					
Canada Mortgage and Housing Corporation	8,678	8,484	8,419	8,181	8,075	7,835	7,263	6,938	6,708
Canada Deposit Insurance Corporation	1,695	1,225	1,785	3,085	3,151	2,160	1,627	855	395
Farm Credit Corporation	3,253	2,432	2,491	2,420	2,488	2,524	2,310	2,507	1,877
Other	1,218	934	975	819	415	307	233	204	179
Total	14,844	13,075	13,670	14,505	14,129	12,826	11,433	10,504	9,159

Note: Figures do not include “allowance for valuation”.

Source: Public Works and Government Services Canada data