



# Business Development Bank of Canada Banque de développement du Canada

*(An agent for and on behalf of Her Majesty in right of Canada)*

## U.S.\$1,000,000,000 Euro Medium Term Note Programme

*for the issue of Notes  
due up to 15 years from the date of issue*

*The Issuer has entered into a U.S.\$1,000,000,000 Euro Medium Term Note Programme as described in this Prospectus (the "Programme"). This Prospectus supersedes the prospectus dated 9th August, 2002. Any Euro Medium Term Notes (the "Notes", which expression shall include Notes as defined below) to be issued after the date hereof under the Programme are issued subject to the provisions set out herein. This Prospectus does not affect any Notes issued prior to the date hereof.*

The Issuer is an agent for and on behalf of Her Majesty in right of Canada ("Canada") for purposes of the Notes to be issued under the Programme. The Issuer may from time to time issue Notes denominated in such currency or currencies as may be agreed with the Purchaser(s) (as defined below) subject to compliance with all relevant laws, regulations and directives. Subject as set out herein the Notes will have maturities from one day to 15 years from the date of issue and, subject as set out herein, the maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed U.S.\$1,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject as further set out herein). The Notes may (i) be issued at their nominal amount or at a premium over or discount to their nominal amount, (ii) bear interest on a fixed or floating rate or index or formula linked basis or be issued on a fully discounted basis and not bear interest, (iii) specify an amount payable upon redemption of the Notes which may be fixed or variable or index or formula linked, (iv) specify a currency or currencies, other than the original currency of issue, in which payments of principal and/or interest may be made, (v) be issued on a fully or partly paid basis and (vi) provide that they will be redeemed in instalments.

The Notes will be issued on a continuing basis to one or more of the Dealers specified on page 5 (each a "Dealer" and together the "Dealers", which expression shall include any additional Dealer appointed under the Programme from time to time). Notes may also be issued to persons other than Dealers. Dealers and such other persons are referred to as "Purchasers".

Applications have been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the "FSMA") (the "UK Listing Authority") for Notes issued within 12 months of this Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Notice of the aggregate nominal amount of, interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein which are applicable to each issue of Notes will be set forth in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be admitted to the Official List and to be admitted to trading by the London Stock Exchange ("Listed Notes"), will be delivered to the UK Listing Authority and to the London Stock Exchange on or before the date of issue of such Notes.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Purchaser(s) in relation to each issue. The Issuer may also issue unlisted Notes.

The Notes of each Tranche (as defined under "Terms and Conditions of the Notes") will initially be represented by one or more global Notes which will be deposited on the issue date thereof with a common depository (or depository, as the case may be) on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear"), Clearstream, Luxembourg (as defined below) or any other agreed clearance system as further described in "Form of the Notes" herein. Beneficial interests in a temporary global Note will be exchangeable for beneficial interests in a permanent global Note or in bearer Notes in definitive form ("Definitive Notes") and interests in a permanent global Note will be exchangeable for interests in Definitive Notes, in all cases only in the manner and upon compliance with the procedures described in "Form of the Notes" herein.

### **Arranger**

**Merrill Lynch International**

### **Dealers**

**Citigroup  
Merrill Lynch International  
Nomura International  
TD Securities**

**Goldman Sachs International  
Mizuho International  
Shinkin International  
UBS Investment Bank**

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any reference in this document to “Equivalent Offering Document” means this document excluding all information incorporated by reference. The Issuer has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the Equivalent Offering Document to satisfy the requirement of the FSMA or the Listing Rules. The Issuer believes that none of the information incorporated therein by reference conflicts in any material respect with the information included in the Equivalent Offering Document.

This Prospectus is to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” on page 3). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus but such incorporated documents do not form part of the Equivalent Offering Document approved by the UK Listing Authority.

The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information supplied in connection with the Programme or the Notes. The Dealers accept no liability in relation to the information contained in this Prospectus or any other information supplied in connection with the Programme or the Notes or their distribution.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other further information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by either the Issuer or any of the Dealers.

Neither this Prospectus nor any other information supplied in connection with the Programme or the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by either the Issuer or any of the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or the Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus, nor any other information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Dealers or any of them to any person to subscribe for or to purchase any of the Notes.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recent published financial information regarding Canada and the Issuer when deciding whether or not to purchase any of the Notes.

The distribution of this Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers (save for the approval of this document by the UK Listing Authority as an equivalent offering document) which would permit a public offering of the Notes or distribution of this document, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Notes in the United States, the United Kingdom, Japan, Germany and The Netherlands (see “Plan of Distribution” on page 38).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “Plan of Distribution” on page 38).

The Notes have not been approved or disapproved by the United States Securities Exchange Commission nor has any state securities commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In this Prospectus, references to “Canadian Dollars” and “C\$” are to the currency of Canada; references to “euro” and “€” are to the single currency of those member states of the European Union participating in the European Monetary Union from time to time, references to “Pounds Sterling” and “£” are to the currency of the United Kingdom and references to “U.S. Dollars” and “U.S.\$” are to the currency of the United States of America.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER (IF ANY) DISCLOSED AS THE STABILISING AGENT IN THE APPLICABLE PRICING SUPPLEMENT OR ANY PERSON ACTING FOR HIM MAY OVERALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER THERE MAY BE NO OBLIGATION ON THE STABILISING AGENT OR ANY AGENT OF HIS TO DO THIS. SUCH STABILISING, IF COMMENCED, SHALL BE IN COMPLIANCE WITH ALL RELEVANT LAWS AND REGULATIONS, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

## TABLE OF CONTENTS

	<i>Page</i>
Documents Incorporated by Reference .. .. .	3
Description of the Programme .. .. .	4
Summary of Terms and Conditions of the Programme and the Notes .. .. .	5
Form of the Notes .. .. .	9
Terms and Conditions of the Notes .. .. .	17
Use of Proceeds .. .. .	34
Canadian Federal Income Tax Considerations .. .. .	35
Business Development Bank of Canada .. .. .	36
Plan of Distribution .. .. .	38
General Information .. .. .	40

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated by reference in, and to form part of, this Prospectus provided however that such incorporated documents do not form part of the equivalent offering document approved by the UK Listing Authority (the “Equivalent Offering Document”):—

- (1) the most recently published Annual Report and Annual Financial Report of the Issuer and Canada from time to time; and
- (2) all supplements to this Prospectus circulated by the Issuer from time to time in accordance with the undertaking given by the Issuer in the Programme Agreement (as defined in “Plan of Distribution”) described below;

save that any statement contained herein or in a document all or the relative portion of which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus (but not the Equivalent Offering Document) to the extent that a statement contained in any such subsequent document all or the relative portion of which is or is deemed to be incorporated by reference herein modifies or supersedes such earlier statement.

The Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of any such person, a copy of any or all of the documents which, or portions of which, are incorporated herein by reference. Written or telephone requests for such documents should be directed to the Issuer at its registered office set out at the end of this Prospectus. In addition, such documents will be available from the principal office in England of Merrill Lynch International in its capacity as authorised advisor (the “London Authorised Advisor”) for the Notes.

The Issuer has given an undertaking to the Dealers in connection with the listing of the Notes on the Official List and their admission to trading on the London Stock Exchange to the effect that if at any time after preparation of the Equivalent Offering Document and at any time during the duration of the Programme, there is a significant change affecting any matter contained in the information given in connection with the listing of the Notes whose inclusion was required by the listing rules made by the UK Listing Authority under the FSMA (the “Listing Rules”) or by the London Stock Exchange, the Issuer shall give to the London Authorised Advisor and each Dealer full information about such change or matter and shall publish a supplementary Equivalent Offering Document as may be required by the UK Listing Authority and approved by the London Authorised Advisor and shall otherwise comply with the Listing Rules and shall supply to each Dealer such number of copies of the supplementary Equivalent Offering Document as such Dealer may reasonably request.

## DESCRIPTION OF THE PROGRAMME

Subject to the compliance with all relevant laws, regulations and directives, the Issuer may, from time to time, issue Notes denominated in such currency or currencies as may be agreed with the relevant Purchaser(s).

The issue price of Notes will be agreed between the Issuer and the relevant Purchaser(s) at the time of agreement to issue. The issue date, maturity date, nominal amount, interest rate (if any) applicable to a Note and any other relevant provisions of such Note not contained herein will be specified in such Note and in the Pricing Supplement, as more fully described under “Form of the Notes”.

Subject as set out herein, this Prospectus and any supplement hereto will only be valid for issuing Notes in an aggregate nominal amount of up to U.S.\$1,000,000,000 (or its equivalent in other currencies) outstanding at any one time.

For the purpose of calculating the U.S. dollar equivalent of the nominal amount of Notes outstanding under the Programme from time to time, the U.S. dollar equivalent of Notes denominated in another Specified Currency shall be determined as of the issue date of those Notes (the “Issue Date”) on the basis of the spot rate for the sale of U.S. dollars against the purchase of that currency in the London foreign exchange market quoted by a leading bank selected by the Agent on the Issue Date. The U.S. dollar equivalent of Dual Currency Notes and Indexed-Linked Notes shall be calculated in the manner specified above by reference to the original nominal amount of any particular issue. Zero Coupon Notes and other Notes issued at a discount will be included in such nominal amount of Notes outstanding under the Programme by reference to the net proceeds received by the Issuer for a particular issue.

## SUMMARY OF TERMS AND CONDITIONS OF THE PROGRAMME AND THE NOTES

*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Series (as defined below — see “Form of the Notes” and “Terms and Conditions of the Notes”) of Notes, the Pricing Supplement relevant thereto. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meaning in this summary:*

**Issuer:** Business Development Bank of Canada  
Banque de développement du Canada  
(an agent for and on behalf of Canada)

**Programme Arranger:** Merrill Lynch International

**Dealers:** Citigroup Global Markets Limited  
Goldman Sachs International  
Merrill Lynch International  
Mizuho International plc  
Nomura International plc  
Shinkin International Limited  
The Toronto-Dominion Bank  
UBS Limited

Notes may also be issued to third parties other than Dealers on the basis of enquiries made by such third parties to the Issuer.

**Issuing and Principal  
Paying Agent and  
Agent Bank:**

Deutsche Bank AG London

**Regulatory Matters:**

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.

Issues of Notes denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year (other than Notes privately placed with a single investor with no publicity), will be effected in compliance with the relevant regulations of the Swiss National Bank based on Article 7 of the Federal Law on Banks and Savings Banks of 8th November, 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2nd December, 1996. Under the said regulations, the relevant Purchaser or, in the case of a syndicated issue, the lead manager must be a bank domiciled in Switzerland (which includes a branch or subsidiary of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to federal law on Stock Exchanges and Securities Trading of 24th March, 1995 (the “Swiss Dealer”). The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant Issue Date for such a transaction.

*Notes having a maturity of less than one year*

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Plan of Distribution*”.

<b>Distribution:</b>	Notes may be distributed by way of private or (subject to any applicable selling restrictions) public placement and in each case on a non-syndicated or syndicated basis.
<b>Amount:</b>	Up to U.S.\$1,000,000,000 (or its equivalent in other currencies calculated as of the Issue Date) outstanding at any one time. Under the Programme Agreement the maximum aggregate nominal amount of Notes which may be outstanding under the Programme may be increased, subject to the satisfaction of certain conditions set out therein.
<b>Description:</b>	Continuously offered Euro Medium Term Note Programme.
<b>Currencies:</b>	Notes may be denominated in any currency or currencies as may be agreed between the Issuer, the relevant Purchaser(s) and the Agent, subject to compliance with all applicable legal or regulatory requirements.
<b>Redenomination:</b>	The applicable Pricing Supplement may provide that certain Notes may be redenominated into euro. The relevant provisions applicable to any such redenomination will be set forth in full in the applicable Pricing Supplement.
<b>Maturities:</b>	<p>Any maturity between one day and 15 years, subject in each case to any other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the relevant currency.</p> <p>Notes which have a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in any other currency or another applicable exemption from Section 19 of the FSMA is available.</p>
<b>Issue Price:</b>	Notes may be issued at par or at a discount to, or premium over, par on a fully paid or partly paid basis.
<b>Form:</b>	<p>Unless the applicable Pricing Supplement specifies otherwise, each Tranche of Notes having an original maturity of more than one year will initially be represented by a temporary global Note and each Tranche of Notes having an original maturity of one year or less will initially be represented by a permanent global Note which will be deposited with a common depository for Euroclear, Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) or, in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and Clearstream, Luxembourg, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. Interests in a temporary global Note will be exchanged either for a permanent global Note or for Definitive Notes not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership. A permanent global Note may be exchanged, upon request, in whole by Noteholders for Definitive Notes, with receipts in respect of instalments of principal (if any) attached and (unless they are Zero Coupon Notes) interest coupons and talons for further coupons (if any) attached, upon giving not less than 45 days’ written notice to the Agent as described in “Form of the Notes” below. If the applicable Pricing Supplement specifies that U.S. Treasury Regulations Section 1.163(5)(c)2(i)C promulgated under the Tax Equity and Fiscal Responsibility Act of 1982 of the United States (the “TEFRA C Rules”) applies, a Tranche of Notes will be represented by a global Note (a “TEFRA C global Note”). A TEFRA C global Note may only be exchanged for Definitive Notes, if so provided in the applicable Pricing Supplement, either (a) automatically not more than 120 days after the relevant Issue Date or (b) upon request, at the option of the holder upon 45 days’ written</p>

notice. All other provisions relating to global Notes described herein apply to a TEFRA C global Note. Interests in a temporary or permanent global Note will be transferable in accordance with the management rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or any other agreed clearance system.

**Fixed Rate Notes:** Fixed rate interest will be payable on such day(s) as agreed between the Issuer and the relevant Purchaser(s) (as indicated in the applicable Pricing Supplement) and on redemption.

Interest will be calculated on the basis of such Fixed Day Count Fraction as may be agreed between the Issuer and the relevant Purchasers and specified in the relevant Pricing Supplement.

**Floating Rate Notes:** Interest on Floating Rate Notes will be calculated at the rate as determined and payable on the dates and in the amounts as would have been payable by the Issuer had it entered into a swap transaction (pursuant to and in accordance with an agreement in the form of the 1992 ISDA Master Agreement and incorporating the 2000 ISDA Definitions, each as published by the International Swaps and Derivatives Association, Inc. and each as supplemented, amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant series) or on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) as indicated in the applicable Pricing Supplement.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

**Index-Linked Notes:** Payments (in respect of interest, principal at maturity or otherwise) in respect of Index-Linked Redemption Notes or or Index-Linked Interest Notes will be calculated by reference to such index and/or formula as the Issuer and the relevant Purchaser may agree as indicated in the applicable Pricing Supplement.

*(If any interest payable on a Note, or any portion of the principal amount of a Note in excess of its issue price, is to be calculated by reference to an index or formula, additional opinions from Canadian tax counsel will be required by the Purchaser(s) to the effect that such interest or principal, as the case may be, would not be subject to Canadian non-resident withholding tax.)*

Issues of Index-Linked Notes denominated in other currencies may be subject to compliance with regulations of the central bank (or equivalent body) applicable to the relevant Specified Currency.

**Interest Periods for Floating Rate Notes:** Such period(s) as the Issuer and the relevant Purchaser(s) may agree as indicated in the applicable Pricing Supplement.

**Dual Currency Notes:** Payments, whether in respect of principal or interest and whether at maturity or otherwise, in respect of Dual Currency Notes will be made in such currencies, and based upon such rates of exchange, as the Issuer, the relevant Purchaser(s) and the Agent may agree as indicated in the applicable Pricing Supplement.

**Zero Coupon Notes:** Zero Coupon Notes may be offered and sold at a discount to their nominal amount and will not bear interest other than in relation to interest due after the Maturity Date.

**Redemption:** The Pricing Supplement applicable to each Series of Notes will indicate either that the Notes of that Series cannot be redeemed prior to their stated maturity (other than in specified instalments (see below) or for taxation reasons), or that such Notes will be redeemable at the option of the Issuer and/or the holder(s) of such Notes upon giving not less than 15 nor more than 30 days' irrevocable notice

(or such other period as may be provided in the applicable Pricing Supplement) to the relevant Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be indicated in the applicable Pricing Supplement.

The Pricing Supplement may provide that Notes may be redeemed in two or more instalments of such amounts and on such dates as indicated in such Pricing Supplement.

*Notes which have a maturity of less than one year may be subject to restrictions on their denomination and distributions. See “Maturities” above.*

**Denominations of Notes:** Such denominations as may be agreed among the Issuer, the relevant Purchaser(s) and the Agent and as indicated in the applicable Pricing Supplement save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the relevant Specified Currency.

Notes which have a maturity of less than one year may be subject to restrictions on their denomination and distributions. See “Maturities” above.

**Taxation:** All payments in respect of the Notes will, subject to certain exceptions, be made without withholding or deduction for or on account of Canadian withholding taxes.

**Status of the Notes:** The Notes will constitute direct, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu*, without any preference among themselves, with all other outstanding, unsecured and unsubordinated obligations, present and future (other than obligations preferred by mandatory provisions of law) of the Issuer. Payment of the principal and interest (if any) on the Notes is a charge on and payable out of the Consolidated Revenue Fund of Canada.

**Listing:** Application has been made to admit Notes issued under the Programme to the Official List and to admit them to trading on the London Stock Exchange or such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Purchaser(s) in relation to each issue. The Pricing Supplement for each issue will state whether or not the Notes are to be listed.

**Governing Law:** The Notes will be governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes—see “Plan of Distribution” below.



## FORM OF THE NOTES

Unless the applicable Pricing Supplement specifies otherwise, each Tranche of Notes having an original maturity of more than one year will initially be represented by a temporary global Note without Receipts, interest Coupons or Talons and each Tranche of Notes having an original maturity of one year or less will be represented by a permanent global Note without Receipts, interest Coupons or Talons which, in each case, will be delivered (a) in the case of Notes to be cleared through Euroclear and/or Clearstream, Luxembourg to a common depository for Euroclear and/or Clearstream, Luxembourg or (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and Clearstream, Luxembourg or delivered outside a clearing system, as otherwise agreed between the Issuer and the relevant Dealer, on or about the issue date of the relevant Notes. Any reference in this section “Form of the Notes” to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer, the relevant Dealer(s) and the Agent. If the applicable Pricing Supplement indicates that TEFRA C Rules apply, the Notes will initially be represented by a TEFRA C global Note, without Receipts, interest Coupons or Talons which will be delivered as specified in the applicable Pricing Supplement and, if provided in the applicable Pricing Supplement, will be exchangeable for Definitive Notes either (a) automatically not later than 120 days after the Issue Date or (b) at the option of the holder upon 45 days’ written notice without any requirements for certification as to beneficial ownership. All other provisions relating to global Notes set out herein apply to a TEFRA C global Note. Upon deposit of a global Note, Euroclear and/or Clearstream, Luxembourg will, unless otherwise agreed, credit Purchasers with a nominal amount of Notes of such Tranche equal to the nominal amount thereof for which they have paid.

If any payment becomes due on the Notes whilst such Notes are represented by a temporary global Note, such payment may be collected upon presentation of the temporary global Note only to the extent that certification of non-U.S. beneficial ownership (in the form set out in the temporary global Note) has been received by Euroclear or Clearstream, Luxembourg.

On or after the date (the “Exchange Date”) which is not earlier than 40 days after the date on which the temporary global Note is issued, provided that certification of non-U.S. beneficial ownership has been received, interests in the temporary global Note will be exchanged either for interests in a permanent global Note or for security-printed Definitive Notes. No payments will be made on a temporary global Note after the Exchange Date unless the exchange of interests is improperly withheld or refused. Payments of principal or interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender, as the case may be, of the permanent global Note without any requirement for certification. If provided in the applicable Pricing Supplement, a permanent global Note will be exchangeable, in whole only, upon 45 days’ written notice expiring at least 30 days after the Exchange Date, from the holders of interests in the permanent global Note, for security-printed Definitive Notes. Temporary and permanent global Notes (including TEFRA C global Notes) and Definitive Notes will be issued by the Agent acting on behalf of the Issuer.

The following legend will appear on all global Notes, Definitive Notes, Coupons and Receipts: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.”

For so long as any of the Notes are represented by a global Note, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Agent and any other Paying Agent as a holder of such nominal amount of such Notes for all purposes other than for the payment of principal (including premium (if any)) and interest on such Notes, the right to which shall be vested, as against the Issuer, the Agent and any other Paying Agent, solely in the bearer of the global Note in accordance with and subject to its terms and the expressions “Noteholder”, “holder of Notes” and related expressions shall be construed accordingly. Notes which are represented by a global Note will only be transferable in accordance with the management rules and operating procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.

Repayment of the outstanding principal amount of, together with any accrued but unpaid interest due on, any Notes may be accelerated by the holder thereof in certain circumstances described in “Terms and Conditions of the Notes—Events of Default”. In the case of an Event of Default, where such Notes are still represented by a global Note and a holder with Euroclear or Clearstream, Luxembourg of such Notes so represented credited to its securities account gives notice that it wishes to accelerate such Notes, unless within a period of 15 days from the giving of such notice payment has been made in full in accordance with the terms of the global Note, the global Note will become void. At the same time, holders with Euroclear or Clearstream, Luxembourg of such Notes (other than Notes in definitive form) credited to their accounts will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, under the terms of an Amended and Restated Deed of Covenant (the “Deed of Covenant”) dated 8th August, 2003 executed by the Issuer.

### Applicable Pricing Supplement

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme

Pricing Supplement dated [            ]

#### Business Development Bank of Canada

#### Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the U.S.\$1,000,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 8th August, 2003 [and the supplemental Prospectus dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Prospectus [as so supplemented].

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated ●], save in respect of the Conditions which are extracted from the Prospectus dated [original date] and are attached hereto.

*[Include whichever of the following apply or specify as “Not applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]*

- |    |  |   |
|----|--|---|
| 1. | Issuer:  | Business Development Bank of Canada   |
| 2. | [(i)] Series Number:<br>[(ii)] Tranche Number:<br>(If fungible with an existing Series,<br>details of that Series, including the date<br>on which the Notes become fungible).] | [       ]<br>[       ]  |
| 3. | Specified Currency or Currencies:  | [       ]   |
| 4. | Aggregate Nominal Amount<br>[(i)] Series:<br>[(ii)] Tranche:   | [       ]<br>[       ]  |
| 5. | [(i)] Issue Price:   | [       ] per cent. of the Aggregate Nominal Amount<br>[plus accrued interest from [insert date] (in the case of<br>fungible issues only, if applicable)] |

- [(ii) Net proceeds: [ ] (Required only for listed issues)]
6. Specified Denominations: [ ] Notes [(including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of s 19 FSMA and] which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).
- Add appropriate provisions to terms and conditions if included.*
7. [(i) Issue Date: [ ]  
[(ii) Interest Commencement Date (if different from Issue Date):] [ ]
8. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[specify reference rate] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index-Linked Interest]  
[Other (specify)]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index-Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[Other (specify other)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Listing: [The Notes will be admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange/other (specify)/None]
14. Method of distribution: [Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable*

*Additional Business Centre(s) for the definition of  
“Business Day” ]/not adjusted]*

- (iii) Fixed Day Count: [30/360/Actual/Actual (ISMA)/Other]
- (iv) Fixed Coupon Amount(s): [ ] per [ ] in Nominal Amount
- (v) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
- (vi) Determination Date: [ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ISMA)*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
16. Floating Rate Note Provisions: [Applicable/Not Applicable]  
(*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
- (i) Specified Periods: [ ]
- (ii) Specified Interest Payment Dates: [ ]
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/ other [*give details*]]
- (iv) Additional Business Centre(s): [ ]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (*give details*)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): [ ]
- (vii) Screen Rate Determination:
- Reference Rate: [ ]  
(*Either LIBOR, EURIBOR or other (specify), although additional information is required if other — including any amendment to fallback provisions in the Agency Agreement*)
- Interest Determination Date(s): [ ]  
(*Second London business day prior to the start of each Interest Period if LIBOR other than euro LIBOR or Sterling LIBOR and first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)

- Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Telerate 248 ensure it is a page which shows a composite rate)*
- (viii) ISDA Determination:
- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
- (ix) Margin(s): [ +/- ] [ ] per cent. per annum
- (x) Minimum Rate of Interest: [ ] per cent. per annum
- (xi) Maximum Rate of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [ ]
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. Zero Coupon Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment. [Condition 4(g) applies/specify other]
18. Index Linked Interest/Redemption Note Provisions: [Applicable/Not Applicable]  
*(If any interest payable on a Note, or any portion of the principal amount of a Note in excess of its issue price, is to be calculated by reference to an index or formula, additional opinions from Canadian tax counsel will be required by the Purchaser(s) to the effect that such interest or principal, as the case may be, would not be subject to Canadian non- resident withholding tax.)*
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: [ ]

- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [      ]
- (iv) Specified Period(s): [      ]
- (v) Specified Interest Payment Dates: [      ]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/ other (*give details*)]
- (vii) Additional Business Centre(s): [      ]
- (viii) Minimum Rate of Interest: [      ] per cent. per annum
- (ix) Maximum Rate of Interest: [      ] per cent. per annum
- (x) Day Count Fraction: [      ]
19. Dual Currency Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [      ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [      ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [      ]

#### **PROVISIONS RELATING TO REDEMPTION**

20. Call Option: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [      ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [      ] per Note of [      ] specified denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [      ]
- (b) Maximum Redemption Amount: [      ]

- (iv) Notice period (if other than as set out in the Conditions):<sup>2</sup> [ ]
21. Put Option: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] specified denomination
- (iii) Notice period (if other than as set out in the Conditions):<sup>2</sup> [ ]
22. Final Redemption Amount: [Par/[ ] per Note of [ ] specified denomination/other/see Appendix]
23. Early Redemption Amount  
Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Conditions): [ ] [Condition 4(h) applies/specify other]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: Bearer Notes:  
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 45 days' written notice/in the limited circumstances specified in the Permanent Global Note.]  
[Temporary Global Note exchangeable for Definitive Notes on or after the Exchange Date.]  
[Permanent Global Note exchangeable for Definitive Notes on 45 days' written notice/in the limited circumstances specified in the Permanent Global Note.]
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the place of payment and not interest period end dates, to which item [16](iv) and 18(vi) relate]
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]

<sup>2</sup>If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent.

28. Details relating to Instalment Notes: [Not Applicable/*give details*]  
amount of each instalment, date on  
which each payment is to be made:
29. Redenomination, renominatisation and [Not Applicable/The provisions annexed to this  
reconventioning provisions: Pricing Supplement apply]
30. Other terms or special conditions: [Not Applicable/*give details*]

#### **DISTRIBUTION**

31. (i) If syndicated, names of [Not Applicable/*give names*]  
Managers:
- (ii) Stabilising Agent (if any): [Not Applicable/*give name*]
32. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
33. Additional selling restrictions: [Not Applicable/*give details*]
34. TEFRA C or TEFRA D Rules: [*Specify whether the Notes are subject to TEFRA C or  
TEFRA D Rules*]

#### **OPERATIONAL INFORMATION**

35. ISIN Code: [ ]
36. Common Code: [ ]
37. Any clearing system(s) other than [Not Applicable/*give name(s) and number(s)*]  
Euroclear Bank S.A./N.V. and Clearstream,  
Banking société anonyme and the relevant  
identification number(s):
38. Delivery: Delivery [against/free of] payment
39. Additional Paying Agent(s) (if any): [ ]

#### **[LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$1,000,000,000 Euro Medium Term Note Programme of Business Development Bank of Canada.]

#### **STABILISING AGENT**

In connection with this issue, the Stabilising Agent or any person acting for him may over allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Agent or any agent of his to do this. Such stabilising, if commenced, shall be conducted in accordance with all applicable laws and regulations, may be discontinued at any time and must be brought to an end after a limited period.

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer

By: .....  
Duly authorised



## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes of Business Development Bank of Canada which (subject to completion and amendment) will be attached to or incorporated by reference into each global Note and which, subject to further simplification by deletion of non-applicable provisions, will be attached to or endorsed upon each Definitive Note, provided that the relevant Pricing Supplement in relation to any Series of Notes may specify other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of such Series of Notes.*

Details of the relevant Series and Tranche will be set out in the relevant Pricing Supplement and, in the case of the issue of Notes in definitive form, endorsed on or attached to the definitive Note. References in the Terms and Conditions to “Notes” are to the Notes of one Series only, not to all Notes which may be issued under the Programme. Capitalised terms not defined in the Terms and Conditions but which are defined in the relevant Pricing Supplement will have the meanings given to them in such Pricing Supplement.

The Notes (which expression shall include, as the context may require, (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency (each as defined in “Terms and Conditions of the Notes”) of the relevant Notes, (ii) Definitive Notes issued in exchange for a temporary global Note or in exchange for a permanent global Note (as set out below) and (iii) any global Note) will be issued subject to, and with the benefit of, an Amended and Restated Agency Agreement dated 8th August, 2003 (the “Agency Agreement”) as amended from time to time and made among the Issuer, Deutsche Bank AG London, as issuing agent, principal paying agent and agent bank (the “Agent”, which expression shall include any successor as agent or any other calculation agent specified in the applicable Pricing Supplement) and the other paying agents named therein (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents). Interest bearing Definitive Notes will have interest coupons (“Coupons”) and, if applicable, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupon(s), Couponholder(s) or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talon(s), Talonholder(s) or talons. Definitive Notes redeemable in instalments will have receipts (“Receipts”) for the payment of instalments of principal prior to stated maturity attached on issue. Notes may be issued from time to time as so agreed between the Issuer and any Purchaser.

The following statements are summaries of, and are qualified in their entirety by, the detailed provisions of the Notes and the Agency Agreement. Copies of the Agency Agreement (which contains the forms of the Notes, Receipts, Coupons and Talons) and the form of the Pricing Supplement for each Tranche of Notes will be available for inspection at the specified office of each of the Paying Agents. The holders for the time being of the Notes (the “Noteholders”, which expression shall, in relation to any Notes represented by a global Note, be construed as described in “Form of the Notes”), the holders of the Coupons appertaining to interest-bearing Definitive Notes (the “Couponholders”), the holders of the Talons (the “Talonholders”) and the holders of the Receipts (the “Receiptholders”) will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Agency Agreement, which will be binding on them. Words and expressions defined in the Agency Agreement or on the face of a Note or in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions of the Notes unless the context otherwise requires or unless otherwise stated.

As used herein, “Series” means all Notes which are denominated in the same currency and which have the same Maturity Date, Interest Basis (as all defined below) and Interest Payment Dates (if any) and the terms of which are (save for the Issue Date or the Interest Commencement Date, as the case may be and the Issue Price, all as defined below) otherwise identical (including whether or not the Notes are listed) and shall be deemed to include the temporary and permanent global Notes and the Definitive Notes of such Series; and the expressions “Notes of the relevant Series” and “holders of Notes of the relevant Series” and related expressions shall be construed accordingly. As used herein, “Tranche” means all Notes of the same Series with the same Issue Date and Interest Commencement Date.

Conditions 1, 3, 4, 5 and 6 are subject to amendment as specified in the applicable Pricing Supplement by agreement, prior to the Issue Date, among the Issuer, the relevant Purchaser and the Agent, provided that any amendment so agreed will not necessitate the issuance of a supplementary Equivalent Offering

Document. Notes may also be issued in such other form and on such other terms as the Issuer may from time to time agree with the relevant Purchaser(s) and the Agent, in which case a supplementary Prospectus or further Equivalent Offering Document, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

### **1. Form, Denomination and Title**

The Notes will be in bearer form. Notes in definitive form (“Definitive Notes”) will be serially numbered and in the Specified Currency and in the Specified Denomination(s) specified in the applicable Pricing Supplement. The Notes may be issued (a) to bear interest on a fixed rate basis (“Fixed Rate Notes”), (b) to bear interest on a floating rate basis (“Floating Rate Notes”) or (c) on a non-interest bearing basis (“Zero Coupon Notes”) or any combination thereof as specified in the applicable Pricing Supplement. Notes may be issued the principal and/or interest of which is payable in a Specified Currency or Currencies other than the Specified Currency in which they are denominated (“Dual Currency Notes”) or linked to an Index and/or a Formula (“Index-Linked Notes”).

Dual Currency Notes and Index-Linked Notes (other than Notes where the rate of interest falls to be determined by reference to the Index and/or Formula) will bear interest on a fixed or floating rate basis or on a non-interest bearing basis, in which case provisions in these Terms and Conditions relating to Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes, respectively, shall, where the context so admits, apply to such Dual Currency Notes or Index-Linked Notes.

Each Definitive Note will be issued with Coupons attached unless it is a Zero Coupon Note in which case references to interest (other than in relation to interest due after the Maturity Date) and Coupons in these Terms and Conditions of the Notes are not applicable. Each Definitive Note which is redeemable in instalments will be issued with Receipts attached.

Subject to the provisions set out in “Form of the Notes” above, title to Definitive Notes, Coupons and Receipts will pass by delivery. The holder of each Coupon or Receipt, whether or not such Coupon or Receipt is attached to a Note, in his capacity as such, shall be subject to and bound by all the provisions contained in the relevant Note. To the extent permitted by law, the Issuer and the Paying Agents, as the case may be, shall be entitled to deem and treat the bearer of any Note, Coupon or Receipt as the absolute owner thereof for all purposes notwithstanding any notice to the contrary and whether or not such Note, Coupon or Receipt shall be overdue and notwithstanding any notation of ownership or writing thereon or notice of any previous loss or theft thereof but, in the case of any global Note, without prejudice to the provisions set out in “Form of the Notes” above.

### **2. Status of the Notes**

The Notes and the relevant Coupons and Receipts are direct, unsubordinated and unsecured obligations of Her Majesty in right of Canada. Payment of the principal of and interest on the Notes is a charge on and payable out of the Consolidated Revenue Fund of Canada. The Consolidated Revenue Fund of Canada is the aggregate of all public moneys such as tax revenues which are on deposit at the credit of the Receiver General of Canada, the public officer who receives or collects public moneys for and on behalf of Canada. As amongst themselves the Notes rank *pari passu* and are payable rateably without any preference or priority.

### **3. Interest**

#### **(a) Interest on Fixed Rate Notes**

If Notes are designated “Fixed Rate Notes” in the applicable Pricing Supplement, this Condition 3(a) shall apply to such Notes.

(i) Each Fixed Rate Note will bear interest on its outstanding nominal amount from the Issue Date shown on the face of the Note (unless there is so shown an Interest Commencement Date which is different from the Issue Date in which case the Notes shall bear interest from the Interest Commencement Date) at the rate(s) per annum equal to the Rate(s) of Interest shown on the face of the Note payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date shown on the face of the Note if that

does not fall on a Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Issue Date or, as the case may be, the Interest Commencement Date and if the Issue Date or the Interest Commencement Date, as the case may be, is not a Interest Payment Date, will amount to the Initial Broken Amount shown on the face of the Note. If the Maturity Date is not a Interest Payment Date, interest from the preceding Interest Payment Date (or the Issue Date or the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount shown on the face of the Note. Interest will be paid subject to and in accordance with the provisions of Condition 5. Interest will cease to accrue on each Fixed Rate Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Fixed Rate Note up to that day are received by or on behalf of the holder of such Fixed Rate Note, and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date.

(ii) If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each specified Denomination, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Conditions: “Fixed Day Count Fraction” means in respect of the calculation of an amount of interest in accordance with this Condition 3(a):

- (i) if “Actual/Actual (ISMA)” is specified in the applicable Pricing Supplement:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

“Determination Period” means each period from (and including) a Determination Date to (but excluding) the next Determination Date including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date; and

“sub-unit“ means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

**(b) Interest on Floating Rate Notes and Index-Linked Interest Notes**

If Notes are designated “Floating Rate Notes” or “Index-Linked Interest Notes” in the applicable Pricing Supplement, this Condition 3(b) shall apply to such Notes.

*(i) Interest Payment Dates*

Each Floating Rate Note and Index-Linked Interest Note will bear interest on its outstanding nominal amount from the Issue Date shown on the face of the Note (unless there is so shown an Interest Commencement Date which is different from the Issue Date in which case the Note will bear interest from the Interest Commencement Date) and such interest will be payable in arrear on either: (1) the Specified Interest Payment Date(s) (each an “Interest Payment Date”) in each year specified in the applicable Pricing Supplement; or (2) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Such interest will be payable in respect of each Interest Period which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(2) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

*(ii) Business Day*

In this Condition 3, “Business Day” means (unless otherwise stated in the applicable Pricing Supplement) a day which is both:

- (1) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any other place specified in the applicable Pricing Supplement (each an “Additional Business Centre”); and
- (2) either (a) in relation to Notes payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London) which, in the case of Notes payable in Australian dollars, shall be deemed to be Melbourne and, in the case of Notes payable in New Zealand dollars, shall be deemed to be Wellington or (b) in relation to Notes payable in euro, a day on which the TARGET System is open. In these Conditions,

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

*(iii) Interest Payments*

Interest will be paid subject to and in accordance with the provisions of Condition 5. Interest will cease to accrue on each Floating Rate Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event interest will continue to accrue (as well after as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Floating Rate Note up to that day are received by or on behalf of the holder of such Floating Rate Note, and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date.

*(iv) Rate of Interest*

The rate of interest (the “Rate of Interest”) payable from time to time in respect of each Series of Floating Rate Notes or Index-Linked Interest Notes denominated in or, in the case of Dual Currency Notes, payable in a Specified Currency will be determined by the Agent in the case of Floating Rate Notes, or the Calculation Agent, in the case of Index-Linked Interest Notes on the basis of the following provisions:

- (1) The Rate of Interest payable from time to time in respect of Floating Rate Notes or Index-Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.
- (2) If the applicable Pricing Supplement specifies ISDA Determination as the manner in which the Rate of Interest is to be determined, the rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the margin (if any). For the purposes of this sub paragraph (2), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction governed by an agreement in the form of the 1992 ISDA Master Agreement (an “ISDA Agreement”) published by the International Swaps and Derivatives Association, Inc. and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the 2000 ISDA Definitions (the “ISDA Definitions”) each as supplemented, amended and updated as at the Issue Date of the first Tranche of Notes of the relevant services under which:
  - (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
  - (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
  - (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (iv) Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date”, have the meanings given to those terms in the ISDA Definitions.

- (3) When Condition 3(b)(iv)(2) applies, then in respect of each relevant Interest Payment Date:
  - (A) the amount of interest determined for such Interest Payment Date in accordance with such Condition will be the Interest Amount for the relevant Interest Period for the purposes of these Terms and Conditions as though determined under Condition 3(b)(v);
  - (B) the Rate of Interest for such Interest Period will be the Floating Rate (as defined in the ISDA Definitions) determined by the Agent in accordance with Condition 3(b)(v); and

- (C) the Agent will be deemed to have discharged its obligations under Condition 3(b)(v) if it has determined the Rate of Interest and the Interest Amount payable on such Interest Payment Date in the manner provided in the preceding sentence.
- (4) If the applicable Pricing Supplement specifies that Screen Rate Determination as the manner in which the Rate of Interest is to be determined:
- (A) the Rate of Interest for each Interest Period shall, subject as provided below, be:
- (I) the offered quotation (if there is only one quotation on the Relevant Screen page); or
- (II) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,
- (expressed as a percentage rate per annum) for deposits in the Specified Currency for that Interest Period which appears or appear, as the case may be, on the appropriate page of the Screen as at 11:00 a.m. (London time) in the case of LIBOR, or Brussels time in the case of EURIBOR on the Interest Determination Date (as defined below) in question plus or minus (as appropriate) the Margin (if any), all as determined by the Agent;
- (B) if, in the case of (I) above, no such rate appears, or, in the case of (II) above, fewer than two of such offered rates appear at such time or if the offered rate or rates which appears or appear, as the case may be, as at such time do not apply to a period of a duration equal to the relevant Interest Period, the Rate of Interest for such Interest Period shall, subject as provided below, be the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16 per cent.) of the rates at which the Agent is advised by all Reference Banks as at 11:00 a.m. (London time in the case of LIBOR, or Brussels time in the case of EURIBOR) on the Interest Determination Date plus or minus (as appropriate) the Margin (if any), all as determined by the Agent;
- (C) if on any Interest Determination Date to which this Condition 3(b)(iv)(4) applies two or three only of the Reference Banks advise the Agent of such rates, the Rate of Interest for the next Interest Period shall, subject as provided below, be determined as in Condition 3(b)(iv)(4)(A) on the basis of the rates of those Reference Banks advising such rates;
- (D) if on any Interest Determination Date to which this Condition 3(b)(iv)(4) applies one only or none of the Reference Banks advises the Agent of such rates the Rate of Interest for the next Interest Period shall, subject as provided below, be whichever is the higher of:
- (I) the Rate of Interest in effect for the last preceding Interest Period to which Condition 3(b)(iv)(4) shall have applied minus or plus (as appropriate), where a different Margin is to be applied to the next Interest Period to that which applied to the last preceding Interest Period, the Margin relating to that last preceding Interest Period, plus or minus (as appropriate) the Margin for the next Interest Period; and
- (II) the reserve interest rate (the “Reserve Interest Rate”) which shall be the rate per annum which the Agent determines to be either (x) the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16 per cent.) of the lending rates for the Specified Currency which banks selected by the Agent in the principal financial centre of the country of the Specified Currency (or the Euro-zone if the Reference Rate is EURIBOR and the Specified Currency is euro) are quoting on the relevant Interest Determination Date for the next Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Agent, being so made plus or minus (as appropriate) the Margin (if any), or (y) in the event that the Agent can determine no such arithmetic mean, the lowest lending rate for the Specified Currency which banks selected by the Agent in the principal financial centre of the country of the Specified Currency (or the Euro-zone if the Reference Rate is EURIBOR and the Specified Currency is euro) are quoting on such Interest Determination Date to leading European banks for the next

Interest Period plus or minus (as appropriate) the Margin (if any), provided that if the banks selected as aforesaid by the Agent are not quoting as mentioned above, the Rate of Interest shall be the Rate of Interest specified in (I) above;

- (E) if the applicable Pricing Supplement specifies a Minimum Interest Rate then the Rate of Interest shall in no event be less than such minimum, and if there is so shown a Maximum Interest Rate then the Rate of Interest shall in no event exceed such maximum;
- (F) the expression “the appropriate page of the Screen” means such page, whatever its designation, on which relevant Interbank offered rates or, if there is only one such rate, that rate for deposits in the Specified Currency of prime banks are for the time being displayed on the Reuters Monitor Money Rates Services or the appropriate Dow Jones Telerate Monitor, as specified in the applicable Pricing Supplement; and
- (G) “Reference Banks” means, in the case of 3(b)(iv)(4)(A)(I) above, those banks whose offered rates were used to determine such quotation which such quotation last appeared on the Relevant Screen Page and, in the case of 3(b)(iv)(4)(A)(II) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(v) *Determination of Rate of Interest and Calculation of Interest Amount*

The Agent in the case of Floating Rate Notes, or the Calculation Agent, in the case of Index Linked Interest Notes will, as soon as practicable after 11:00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) (or, if appropriate, such other time as is customary in the principal financial centre of the country of the Specified Currency as determined in the ISDA Definitions) on each Interest Determination Date, determine the Rate of Interest (subject to any minimum or maximum Rate of Interest specified in the applicable Pricing Supplement) and calculate the amount of interest payable in respect of each Specified Denomination (each an “Interest Amount”) for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to a Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“Day Count Fraction” means, in respect of the calculation of any amount of interest for any Interest Period:

- (A) if “Actual/365” or “Actual/Actual (ISDA)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (D) if “30/365”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes the last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

- (E) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (F) if “Actual/Actual (ISMA)” is specified in the applicable Pricing Supplement;
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

“Determination Period” mean each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

*(vi) Notification of Rate of Interest and Interest Amount*

The Agent will cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any stock exchange or listing authority on which the relevant Floating Rate Notes or Index-Linked Interest Notes are for the time being listed and to be published in accordance with the provisions of Condition 11 as soon as possible but in any event not later than the second Business Day after their determination. Each Interest Amount and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without publication as aforesaid in the event of an extension or shortening of the Interest Period in accordance with the provisions hereof. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed.

*(vii) Agent*

The Issuer will procure that, so long as any Floating Rate Note or Index-Linked Interest Note remains outstanding, there shall at all times be an Agent. The Issuer may (at its discretion) terminate the appointment of the Agent. In the event of the principal London office of any such bank being unable or unwilling to continue to act as the Agent the Issuer shall appoint the London office of some other leading bank recognised as being able to properly carry out the functions of the Agent to act as such in its place. Neither the resignation nor the removal of the Agent shall take effect (other than in the case of insolvency when it shall have immediate effect) until a successor has been appointed.



**(c) Zero Coupon Notes**

If Notes are designated “Zero Coupon Notes” in the applicable Pricing Supplement, this Condition 3(c) shall apply to such Notes.

Where a Zero Coupon Note becomes due and repayable prior to the Maturity Date and is not paid when due, the amount due and repayable shall be the Amortised Face Amount of such Note as determined in accordance with Condition 4(g)(iii). As from the Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum equal to the Amortisation Yield shown on the face of the Note. Such interest shall continue to accrue (as well after as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note, and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date. Such interest will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed or on such other basis as may be specified in the applicable Pricing Supplement.

**(d) Index-Linked Interest Notes**

If Notes are designated “Index-Linked Notes” in the applicable Pricing Supplement, this Condition 3(d) shall apply to such Notes.

In the case of Index-Linked Interest Notes where the rate of interest falls to be determined by reference to the Index and/or the Formula, the Rate of Interest shall be determined in accordance with the Index and/or the Formula in the manner specified in the applicable Pricing Supplement and payment shall otherwise be made in accordance with Condition 5.

**(e) Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes) interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as indicated in the applicable Pricing Supplement.

**4. Redemption and Purchase**

**(a) Final Redemption**

Unless otherwise indicated in the applicable Pricing Supplement and unless previously redeemed, or purchased and cancelled as provided below, each Note will be redeemed at its nominal amount (the “Final Redemption Amount”) specified in, or in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement.

**(b) Redemption for Tax Reasons**

The Notes of any Series may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes) or on any Interest Payment Date (in the case of Floating Rate Notes), on giving not less than 30 nor more than 60 days’ notice to the Agent and, in accordance with Condition 11, the holders of the Notes of the relevant Series (which notice shall be irrevocable and shall specify the date for redemption) at the amount determined in accordance with Condition 4(h) or 4(i) (as applicable), if:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of Canada or any political sub-division or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the Notes of such Series; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes

of that Series then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Agent a certificate signed by one officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 4(b) will be redeemed at their Early Redemption Amount which shall be their nominal amount together with (if appropriate) interest accrued to but excluding the date of redemption.

**(c) Redemption at the option of the Issuer (Call Option)**

If the applicable Pricing Supplement indicates that Notes are redeemable at the option of the Issuer, this Condition 4(c) shall apply to such Notes.

The Issuer may (subject to Condition 4(e) below), at any time (in the case of Notes other than Floating Rate Notes) or on any Interest Payment Date (in the case of Floating Rate Notes) at its option, on giving not less than 15 nor more than 30 days' notice (unless otherwise specified in the applicable Pricing Supplement) to the holders of Notes of the relevant Series (which notice shall be irrevocable and shall specify the date fixed for redemption) in accordance with Condition 11, redeem all or some only of the Notes of such Series then outstanding on a date or dates (subject as provided above) specified prior to the stated maturity of such Notes ("Optional Redemption Dates") and at the relevant price(s) ("Optional Redemption Amount(s)") as indicated in the applicable Pricing Supplement. In the event of a redemption of some only of such Notes, such redemption must be for an amount being not less than U.S.\$1,000,000 in nominal amount or a higher integral multiple of U.S.\$1,000,000 (or their respective equivalents in other Specified Currencies as determined by the Issuer). In the case of a partial redemption of such Notes, Notes to be redeemed will be selected individually by lot in such place as the Agent may approve and in such manner as the Agent shall deem to be appropriate and fair (without involving any part only of a Definitive Note), not more than 30 days prior to the date fixed for redemption and a list of such Notes called for redemption will be published in accordance with Condition 11 not less than 15 nor more than 30 days prior to such date. In addition, in the case of a partial redemption, the notice will specify the period during which exchanges or transfers of Notes may not be made.

**(d) Redemption at the option of the Noteholders (Put Option)**

If the applicable Pricing Supplement indicates that Notes are redeemable at the option of a holder of one or more of such Notes, this Condition 4(d) shall apply to such Notes.

Subject to Condition 4(e) below, upon any Noteholder giving to the Issuer in accordance with Condition 11 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Pricing Supplement (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice (subject, in the case of Floating Rate Notes, as provided below) redeem in whole (but not in part) any such Note(s) which is/are the subject of such notice on the Optional Redemption Date and at the Optional Redemption Amount specified in or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to but excluding the Optional Redemption Date and at the relevant price(s) as indicated in the applicable Pricing Supplement.

**(e) Pricing Supplement**

The Pricing Supplement applicable to each Note will indicate that either (i) such Note cannot be redeemed prior to its Maturity Date except as provided in Condition 4(b) above, or (ii) that such Note will be redeemable at the option of the Issuer and/or the holder of such Note prior to such Maturity Date in accordance with the provisions of Condition 4(c) and/or 4(d) above on a date or dates and at a price or prices indicated in the applicable Pricing Supplement. The applicable Pricing Supplement may also provide for notice periods different from those set out in Conditions 4(c) or 4(d) above.

**(f) Purchase**

The Issuer may at any time purchase or otherwise acquire Notes in the open market or otherwise. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer, surrendered to the Agent for cancellation (together with (in the case of Definitive Notes) any unmatured Coupons or Receipts attached thereto or purchased therewith). If purchases are made by tender, tenders must be made available to all holders of Notes of the relevant Series alike.

**(g) Zero Coupon Notes**

If the applicable Pricing Supplement indicates that Notes are designated “Zero Coupon Notes”, this Condition 4(g) shall apply to such Notes.

(i) The amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 4(b), 4(c) or 4(d) above or upon its becoming due and repayable as provided in Condition 7 shall be the Amortised Face Amount (calculated as provided below) of such Note.

(ii) Subject to the provisions of (iii) below, the Amortised Face Amount of any Zero Coupon Note shall be the sum of (A) the Reference Price shown on the face of the Note and (B) the product of the Amortisation Yield specified in the applicable Pricing Supplement (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable. Where such calculation is to be made for a period other than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed or on such other calculation as may be specified in the applicable Pricing Supplement.

(iii) If the amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 4(b), 4(c) or 4(d) above or upon its becoming due and repayable as provided in Condition 7 is not paid when due, the amount due and repayable in respect of such Note shall be the Amortised Face Amount of such Note calculated pursuant to (ii) above, except that such paragraph shall have effect as though the reference therein to the date on which the Note becomes due and repayable were replaced by a reference to the date (the “Reference Date”) which is the earlier of (A) the date on which all sums due in respect of the Note up to that day are received by or on behalf of the holder thereof, and (B) the date on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date. The calculation of the Amortised Face Amount in accordance with this paragraph will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the nominal amount of such Note together with any interest which may accrue in accordance with Condition 3(c) above.

**(h) Early Redemption Amounts**

For the purposes of Condition 4(b) and Condition 7 and unless otherwise indicated in the applicable Pricing Supplement, Notes (other than Indexed Notes and Dual Currency Notes) will be redeemed (i) in the case of Fixed Rate Notes or Floating Rate Notes (in each case issued at an Issue Price of 100 per cent. of their nominal amount) at their nominal amount in the relevant Specified Currency together with, in the case of Fixed Rate Notes, interest accrued to the date fixed for redemption, or (ii) in the case of Zero Coupon Notes, at the Amortised Face Amount of such Notes determined in accordance with Condition 4(g), or (iii) in the case of Notes issued with an Issue Price greater than or less than 100 per cent. of their nominal amount, at a price ascertained by reference to the terms of issue in the applicable Pricing Supplement.

**(i) Index-Linked Notes and Dual Currency Notes**

If the applicable Pricing Supplement indicates that Notes are designated “Index-Linked Redemption Notes” or “Dual Currency Notes”, this Condition 4(i) shall apply to such Notes.

In respect of an Index-Linked Redemption Note where the amount payable in respect of principal upon redemption (the “Redemption Amount”) falls to be determined by reference to the Index and/or the Formula, the Redemption Amount shall be determined in accordance with the Index and/or the Formula

set out in the applicable Pricing Supplement and each such Index-Linked Note shall, unless previously redeemed or purchased and cancelled as provided below, be redeemed at the applicable Redemption Amount on the Maturity Date. In respect of an Index-Linked Redemption Note where the amount payable on an early redemption in respect of principal only, principal and interest or interest only (the “Early Redemption Amount”) falls to be determined in whole or in part by reference to the Index and/or the Formula, the applicable Pricing Supplement will set out details of the calculation of the Early Redemption Amount. Dual Currency Notes where the amount payable upon redemption (whether at maturity or upon early redemption pursuant to Condition 7 or otherwise) falls to be determined by reference to the Rate of Exchange, will be redeemed at the amount calculated by reference to such Rate (as set out in the applicable Pricing Supplement) together (if appropriate) with interest accrued to the date fixed for redemption.

**(j) Cancellation**

All Notes redeemed shall and all Notes purchased or otherwise acquired as aforesaid may, at the option of the Issuer, be cancelled (together, in the case of Definitive Notes, with all unmatured Coupons and Receipts presented therewith), and thereafter may not be re-issued or re-sold.

**(k) Instalments**

If the applicable Pricing Supplement indicates that Notes are redeemable in instalments, this Condition 4(k) shall apply to such Notes.

Each Note which is redeemable in instalments will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement, in the case of all instalments (other than the final instalment) by surrender of the relevant Receipt (which must be presented with the Note to which it appertains) and in the case of the final instalment by surrender of the relevant Note, all as more fully described in Condition 5.

**(l) Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise in accordance with the provisions of this Condition as amended or varied by the information set out in the applicable Pricing Supplement.

**5. Payments and Exchange of Talons**

Each temporary global Note will provide for certification of non-U.S. beneficial ownership (i) 40 days after the Issue Date of the relevant Note, and (ii) the first date on which any payment is made on such Notes, if earlier. No payments can be collected on the temporary global Note unless such certification has been received. See “Form of the Notes”.

Payments of principal and interest (if any) in respect of the Definitive Notes (if issued) will (subject as provided below) be made against presentation or surrender of such Notes or Coupons, as the case may be, at any specified office of any Paying Agent. Payments of principal in respect of instalments (if any), other than the last instalment, will (subject as provided below) be made against surrender of the relevant Receipt. Each Receipt must be presented for payment of such instalment together with the relevant Definitive Note against which the amount will be payable in respect of that instalment. If any Definitive Notes are redeemed or become repayable prior to the Maturity Date in respect thereof principal will be payable on surrender of each such Note together with all unmatured Receipts appertaining thereto. Receipts presented without the Definitive Notes to which they appertain and unmatured Receipts, do not constitute obligations of the Issuer. All payments of interest and principal with respect to Definitive Notes will be made to accounts located outside the United States except as otherwise provided below.

Payments in respect of Definitive Notes (other than Dual Currency Notes) denominated in a Specified Currency (other than euro) or, in the case of Dual Currency Notes, payable in a Specified Currency (other than euro) will (subject as provided below) be made at the option of the bearer either by a cheque in the Specified Currency drawn on, or by transfer to an account in the Specified Currency maintained by the payee with, a bank in the principal financial centre of the country of the Specified Currency.

Payments in respect of Notes denominated in, or, in the case of Dual Currency Notes payable in, euro will be made by credit or transfer to a euro account (or to any other account to which euro may be credited or transferred) specified by the payee, or at the option of the payee, by a euro cheque.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. A record of each payment made on such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Paying Agent to which global Note is presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

Notwithstanding the foregoing, payments in respect of Definitive Notes will be made at the specified office of any Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) (a) if (1) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount due on the Definitive Notes in the manner provided above when due, (2) payment of the full amount due at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, and (3) such payment is then permitted under United States law, and (b) at the option of the relevant holder if such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

The holder of the relevant global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”), Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) or of any other clearance system (any reference to Euroclear or Clearstream, Luxembourg including, where the context so permits, a reference to any additional or alternative clearance system approved by the Issuer, the relevant Dealer(s) and the Agent)) as the holder of a particular nominal amount of Notes must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of the relevant global Note. No person other than the holder of the relevant global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Fixed Rate Notes in definitive form should be presented for payment with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of Talons which will have matured on or before the relevant redemption date), failing which the full amount of any missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupon which the sum so paid bears to the total amount due) will be deducted from the sum due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of ten years from the Relevant Date (as defined in Condition 6) for the payment of such sum due for payment, whether or not such Coupon has become void pursuant to Condition 8 or, if later, five years from the due date for payment of such Coupon. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Note, Dual Currency Note or Index-Linked Note in definitive form, all unmatured Coupons and Talons (if any) relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

If any date for payment of any amount in respect of any Definitive Note, Receipt or Coupon is not a payment business day, then the holder thereof shall not be entitled to payment at the place of presentation of the amount due until the next following payment business day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition 5 “payment business day” (unless otherwise specified in the applicable Pricing Supplement) means any day which is both a Business Day as defined in

Condition 3(b)(ii) and on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation.

If the due date for redemption of any interest-bearing Note in definitive form is not an Interest Payment Date, interest accrued in respect of such Note from (and including) the last preceding due date for the payment of interest (or from the Issue Date or the Interest Commencement Date, as the case may be) will be paid only against surrender of such Note.

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the interest payment date on which the final Coupon comprised in the relevant Coupon sheet matures.

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out at the end of the Prospectus. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents and/or to approve any change in the specified office of any Paying Agent provided that it will, so long as any of the Notes is outstanding, maintain (i) an Agent, (ii) so long as any Notes are listed on a stock exchange and until the Notes are redeemed, a Paying Agent (which may be the Agent) having a specified office in each location required by the rules and regulations of the relevant stock exchange or other relevant authority; and (iii) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27th November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive (such directive or law is referred to herein as an "EU Directive"), comes into force and requires the Issuer to withhold or deduct on account of payments made by it, the Issuer will appoint and maintain a paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant thereto. Any such variation, termination or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 11 below and provided further that neither the resignation nor removal of the Agent shall take effect, except in the case of insolvency as aforesaid, until a new Agent has been appointed. In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in (2) of the sixth paragraph of this Condition 5.

Payments in respect of the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

## **6. Taxation**

All payments of, or in respect of, principal and interest on the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Canada or any province or any political subdivision thereof, or therein or thereof having power to tax, unless the Issuer is required to deduct or withhold such taxes or duties. In such event, subject to its right of redemption, the Issuer will pay such additional amounts as will result in the payment to the holders of the Notes, the Receipts and Coupons of the amounts which would otherwise have been payable in respect of the Notes or, as the case may be, Receipts and Coupons in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) to, or to a third party on behalf of, a holder who is liable to such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with Canada other than the mere holding of the Note, Receipt or Coupon;
- (ii) where pursuant to any EU Directive any withholding or deduction is required to be made for taxes imposed by any Member State of the European Union on a payment to an individual;

- (iii) presented for payment to a Paying Agent in a Member State of the European Union by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to a Paying Agent in another Member State of the European Union; or
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts presenting the same for payment on the expiry of such period of 30 days.

As used in these Conditions, the “Relevant Date” means the date on which such payment first becomes due, but if the full amount of the money payable has not been received by the Agent in accordance with the Agency Agreement on or prior to such date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly published in accordance with Condition 11 below.

## **7. Events of Default**

If any of the following events (each an “Event of Default”) shall occur and shall be continuing with respect to any Note(s) of a particular Series:

- (a) any amount of principal due on the Notes of that Series or any of them, or any interest due on the Notes of that Series or the Coupons or any of them is not paid within 15 days of the due date; or
- (b) the Issuer shall fail duly to perform or observe any other term, undertaking or agreement contained in the Notes of that Series and such failure continues for a period of 30 days next following the service by the holder of any Note of that Series on the Issuer at the specified office of the Agent of written notice requiring the same to be remedied;

then in any such event the holder of any Note of that Series may, by written notice to the Issuer at the specified office of the Agent, effective upon receipt thereof by the Agent, declare the principal of and all interest then accrued on such Note of that Series to be forthwith due and payable, whereupon the same shall become immediately due and payable without presentation, demand, protest or other notice of any kind, all of which the Issuer expressly waives, anything contained in the Notes of that Series or the terms and conditions thereof to the contrary notwithstanding, unless prior to the time when the Agent receives such notice, all Events of Default in respect of all the Notes of that Series shall have been cured. If the Notes (other than Index-Linked Notes and Dual Currency Notes) of a particular Series become so due and payable pursuant to this Condition 7, they shall be repayable in accordance with the provisions of Condition 4(h). Index-Linked Notes and Dual Currency Notes will be repayable in accordance with the provisions of Condition 4(i). If any Note becomes so due and payable, such Note will continue to bear interest in accordance with the provisions of Condition 3 which will continue to apply until repaid.

## **8. Prescription**

Claims for payment of principal in respect of the Notes shall be prescribed upon the expiry of 10 years, and claims for payment of interest (if any) in respect of the Notes shall be prescribed upon the expiry of five years, in each case from the Relevant Date (as defined in Condition 6) thereof, subject to the provisions of Condition 5. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5 above.

## **9. Exchange and Replacement of Notes, Receipts and Coupons**

Should any Note (including any global Note), Receipt or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Agent (in the case of a Definitive Note, Receipt or Coupon), upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer or the Agent, as the case may be, may reasonably require. Mutilated or defaced Notes, Receipts or Coupons must be surrendered before replacements will be issued.

Definitive Notes of one Specified Denomination may not be exchanged for Definitive Notes of another Specified Denomination.

#### **10. Meetings of Noteholders and Modification**

The Agency Agreement contains provisions for convening meetings of Noteholders (or the holders of Notes of any one or more Series) to consider matters affecting their interests including modifications by Extraordinary Resolution of the terms and conditions of the Notes of any one or more Series. The quorum for any meeting convened to consider a resolution proposed as an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding so held or represented except that at any meeting, the business of which includes, *inter alia*, (i) modification of the Maturity Date or, as the case may be, Redemption Month of the Notes (or, as the case may be, the Notes of the relevant one or more Series) or reduction or cancellation of the nominal amount payable upon maturity, (ii) reduction of the amount payable or modification of the payment date in respect of any interest in respect of the Notes (or, as the case may be, the Notes of the relevant one or more Series) or variation of the method of calculating the rate of interest in respect of the Notes (or, as the case may be, the Notes of the relevant one or more Series), (iii) reduction of any Minimum Interest Rate and/or Maximum Interest Rate shown on the face of any Floating Rate Note, (iv) except pursuant to Redenomination if so provided in the applicable Pricing Supplement, modification of the currency in which payments under the Notes (or, as the case may be, the Notes of the relevant one or more Series) and/or the Coupons appertaining thereto are to be made (v) modification of the majority required to pass an Extraordinary Resolution or (vi) modification of the provisions of the Agency Agreement concerning this exception, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding. Any resolution duly passed at any such meeting shall be binding on all Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) (whether or not they were present at such meeting) and on all Receiptholders and Couponholders relating to the relevant Notes. All actions which may be taken and all powers which may be exercised by holders of the Notes of a Series at a meeting may also be taken or exercised without the necessity of a meeting by the holders of not less than 66 $\frac{2}{3}$  per cent. of the aggregate principal amount of Notes of such Series outstanding by an instrument in writing signed in one or more counterparties.

Meetings of holders of Notes of different Series may be combined and treated as the meeting of the holders of Notes of one Series where the matter to be considered does not affect such Series differently and for the purpose of determining voting entitlement all principal amounts of the Notes outstanding shall be converted into their U.S. dollar equivalent (rounded to the nearest U.S.\$100) based on the Bank of Canada's closing exchange rates in effect on the day notice of the meeting was given to the holders of the Notes and at a meeting every person shall have one vote in respect of each U.S.\$100 of principal (so converted).

The Agent may agree, without the consent of the Noteholders, Receiptholders or Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series), to any modification to any of the provisions of the Agency Agreement or the Notes which is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on all the Noteholders, Receiptholders and Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series) and, if the Agent so requires, shall be notified to the Noteholders (or, as the case may be, the holders of the Notes of the relevant one or more Series) as soon as practicable thereafter in accordance with Condition 11.

#### **11. Notices**

(a) All notices regarding Definitive Notes (or Definitive Notes of one or more Series) will be valid if published in one leading London daily newspaper (which is expected to be the *Financial Times*) or, if this is not practicable, one other English language daily newspaper with general circulation in Europe as the Issuer may decide. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchanges or any other relevant authority on which the Notes



are for the time being listed. Any notice published as herein provided in a newspaper shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication, in all cases in all such newspapers in which publication is required. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Definitive Notes of the relevant Series in accordance with this Condition.

(b) In relation to the Definitive Notes of each Series until such time as any Definitive Notes are issued, there may, so long as all the global Notes for such Series are held in their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted, in relation only to such Series, for such publication as aforesaid, the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes of that Series provided that, in the case of Notes admitted to the Official List and to trading on the London Stock Exchange, the requirements thereof have been complied with. Any such notice shall be deemed to have been given to the holders of the Notes of that Series on the fourth day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

(c) Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any Notes are represented by a global Note, such notice may be given by a holder of any Notes so represented to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

## **12. Currency Indemnity**

The obligation of the Issuer in respect of any amount due under the Notes shall not be discharged or satisfied by any tender or any recovery pursuant to a judgment in any currency other than the relevant Specified Currency except to the extent that such tender or recovery results in the actual receipt by the holder of a Note, Receipt or Coupon of the full amount then due and payable. If the full amount in the relevant Specified Currency actually received by the holder of a Note, Receipt or Coupon is for any reason less than the amount originally due, the Issuer shall, as a separate and independent obligation, pay such additional amounts as may be necessary to compensate for any such deficiency.

## **13. Agents**

In acting under the Agency Agreement, the Agent and the Paying Agents will act solely as agents of the Issuer, and will not assume any obligation or relationship of agency or trust to or with the Noteholders, Receiptholders or Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders, Receiptholders and Couponholders to repay Notes and pay interest thereon) any funds received by the Agent for the payment of the principal of or interest on the Notes shall be held by it on trust for the Noteholders and/or Receiptholders and Couponholders until the expiration of the period of prescription specified in Condition 8 above. The Issuer will agree to perform and observe the obligations imposed upon it under the Agency Agreement. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for their relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer without being liable to account to the Noteholders, Receiptholders or Couponholders for any resulting profit.

## **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the relevant Noteholders, Receiptholders or Couponholders to create and issue further notes ranking equally in all respects (or in all respects save for the date for and the amount of the first payment of interest thereon) so that the same shall be consolidated and form a single series with the outstanding Notes of a particular Series.

## **15. Governing Law**

The Notes, the Receipts, the Coupons and the Agency Agreement are governed by, and shall be construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein. If an event of default should occur, the holders of the Notes, the Receipts and the Coupons may

enforce payment against Her Majesty in right of Canada by suit in the Federal Court of Canada and no governmental or other consent is required. Although a judgment obtained in an action brought in the Federal Court of Canada against Her Majesty in right of Canada is not capable of being enforced by execution, such judgment is payable out of the Consolidated Revenue Fund of Canada.

#### **USE OF PROCEEDS**

The net proceeds from the sale of the Notes will be added to the general funds of the Issuer to be utilised to fund loans and in furtherance of other corporate purposes.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the principal Canadian federal income tax considerations generally applicable to a holder of Notes acquired pursuant to this Prospectus who, for the purposes of the Income Tax Act (Canada) (the “Act”) is, at all relevant times, neither resident nor deemed to be resident in Canada (a “Non-Resident Holder”).

This summary is based upon the provisions of the Act and the regulations thereunder (the “Regulations”) in force on the date hereof, proposed amendments to the Act and the Regulations in the form publicly announced prior to the date hereof by or on behalf of the Minister of Finance for Canada and the current administrative practices and policies published by the Canada Customs and Revenue Agency. This summary does not take into account or anticipate any other changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation.

**This summary is of a general nature only, is not exhaustive of all Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Non-Resident Holder. Non-Resident Holders are advised to consult their own tax advisers with respect to their tax positions.**

Interest paid (including amounts on account of or in lieu of payment of, or in satisfaction of such interest) or credited or deemed to be paid or credited by the Issuer on a Note to a Non-Resident Holder will not be subject to Canadian non-resident withholding tax unless all or any portion of such interest (other than interest on a prescribed obligation as described below) is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends payable to shareholders of any class of shares of the capital stock of a corporation. A prescribed obligation for those purposes is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding that is determined by reference to a change in the purchasing power of money and no amount payable in respect thereof, other than the amount determined by reference to a change in the purchasing power of money, is contingent or dependent upon any of the criteria described in the preceding sentence.

In the event that a Note is redeemed, cancelled, purchased or repurchased by the Issuer or any other person, resident or deemed to be resident in Canada from a Non-Resident Holder, or is otherwise assigned or transferred by a Non-Resident Holder to a resident or deemed resident of Canada for an amount which exceeds, generally, the issue price thereof or in certain cases the price for which the Note was assigned or transferred by a person resident or deemed to be resident in Canada to the Non-Resident Holder, the difference between the price for which the Note is redeemed, cancelled, purchased or repurchased or otherwise assigned or transferred and the issue or such other price may, in certain circumstances, be deemed to be interest and may be subject to Canadian non-resident withholding tax if the Note is not considered to be an excluded obligation and such interest is not otherwise exempt from Canadian non-resident withholding tax. A Note will be regarded as an excluded obligation so long as the interest payable thereon is exempt from Canadian non-resident withholding tax by virtue of the previous paragraph. In addition, any amount of interest accrued and unpaid on a Note at the time of such assignment or transfer may in certain circumstances be a payment of interest to the Non-Resident Holder and may be subject to non-resident withholding tax unless the Note is considered to be an excluded obligation as described in the preceding sentence.

Generally, there are no other taxes on income (including taxable capital gains) payable in respect of the acquisition, ownership or disposition of a Note or interest or premium thereon by a Non-Resident Holder who at any time during which the Note is held does not use or hold and is not deemed to use or hold the Note in carrying on a business in Canada and is not otherwise required by or for the purposes of such laws to include an amount in respect of the Note in computing income from carrying on business in Canada.

## **BUSINESS DEVELOPMENT BANK OF CANADA**

### **History and Purpose**

The Federal Business Development Bank was established by the Federal Business Development Bank Act, an Act of the Parliament of Canada, which came into force on 2nd October, 1975 and succeeded the Industrial Development Bank (“IDB”), which was formed in 1944. The Federal Business Development Bank was continued under the name Business Development Bank of Canada (the “Issuer”) by the Business Development Bank of Canada Act, the (“BDBC Act”) an Act of the Parliament of Canada, which came into force on 13th July, 1995.

The Issuer was established to support Canadian entrepreneurship by providing financial and management services to small and medium-sized enterprises. Its predecessor, IDB, pursued similar objectives but was limited to provision of financial assistance. The various management services were added to provide the enterprise with a single source from which to obtain both financing and advice suited to its particular needs.

To the greatest extent consistent with its corporate purpose, the Issuer has endeavoured to conduct its operations on a financially self-sustaining basis in accordance with commercial principles.

The Head Office of the Issuer is located at Suite 400, 5 Place Ville Marie, Montreal, Canada, H3B 5E7 (telephone: (514) 283 5904).

### **Agency and Crown Corporation Status**

The Issuer is an agent of Her Majesty in right of Canada and is a federal Crown corporation wholly-owned by Canada. Crown corporations are established by the Parliament of Canada for many purposes, including administering and managing public services in which business enterprise and public accountability must be combined. As a Crown corporation, the Issuer is ultimately accountable to Parliament for the conduct of its affairs through the Minister of Industry. It is governed with respect to financial controls by the Financial Administration Act, which establishes auditing and reporting requirements and specific procedures for financing the capital and operating requirements of Federal Government departments and Crown corporations. As an agent of Her Majesty, the payment of principal of and any interest or premium on the Notes, carries the full faith and credit of Canada and the Notes constitute direct unconditional obligations of and by Canada. Payment of the principal of and any interest on the Notes is a charge on and payable out of the Consolidated Revenue Fund. The Consolidated Revenue Fund is the aggregate of all public moneys, such as tax revenues, which are on deposit at the credit of the Receiver General for Canada, the public officer who receives or collects public moneys for and on behalf of Canada.

### **Financing Authority and Controls**

The Issuer may, with the approval of the Minister of Finance of Canada, issue and sell debt obligations. In addition, the Minister of Finance may, at the request of the Issuer, lend money to the Issuer out of the Consolidated Revenue Fund on such terms and conditions as are fixed by the Minister.

The Issuer’s policies and practices are formulated by its Board of Directors, whose members are appointed by the Minister of Industry with the approval of the Governor in Council (which consists of the Governor General of Canada acting on the advice of the Committee of the Privy Council, whose membership is identical to that of the Cabinet) except for the Chairperson and the President of the Issuer, who are appointed by the Governor in Council. The BDBC Act provides for a Board comprising the Chairperson and the President of the Issuer and not fewer than three but no more than thirteen other directors. No more than two of the directors, excluding the Chairperson and the President may be appointed from the public service of Canada. The Board has established an Audit Committee, composed of not fewer than three Directors, which deals with matters of financial reporting and management controls.

An annual capital budget is approved by the Issuer’s Board and a summary thereof is placed before Parliament by the Minister of Industry, following approval by the Governor in Council upon the recommendation of the Minister, the Treasury Board and the Minister of Finance.

The financial statements of the Issuer are audited by auditors appointed by the Governor in Council. The statements are submitted annually to Parliament through the Minister of Industry.

### **Financial Services**

Financial Services of the Issuer are provided by its Loans Division and its Investment Group.

The Loans Division acts as a complementary lender providing funds, mainly by way of term loans with flexible repayment conditions, to small and medium-sized enterprises. It works in conjunction with commercial banks and other financial institutions. The Issuer lends money for specific purposes at commercial rates of interest; it does not provide grants to businesses. The Issuer can accept as collateral a wide variety of assets such as real property, new or used machinery and equipment and inventories.

The role of the Issuer's Investment Group is to act as a catalyst in stimulating the creation of risk capital for small and medium-sized businesses by using its own capital as leverage to encourage private sector participation. The Issuer acquires a minority ownership interest in an investee company and may invest in projects at various stages of a company's life cycle from seed through development and expansion. The Investment Group also offers subordinate financing under which the repayment structure is based on a combination of fixed and variable return.

### **Management Services**

Through its Consulting Group, the Issuer also offers business consulting services to help entrepreneurs strengthen their management capabilities and skills. While the Issuer charges fees for these services, these fees have historically not fully covered the costs of the Consulting Group. Until September, 1996, the net expenditures for these services were funded by Parliamentary appropriation. Since then, the appropriations have ceased and the net expenditures are now met from general revenues of the Issuer.

### **Debt Record**

The Issuer and its predecessor, IDB, have always paid promptly when due the full amount of principal and interest on every obligation issued by them.

## PLAN OF DISTRIBUTION

Citigroup Global Markets Limited, Goldman Sachs International, Merrill Lynch International, Mizuho International plc, Nomura International plc, Shinkin International Limited, The Toronto-Dominion Bank and UBS Limited as Dealers have in an amended and restated Programme Agreement dated 8th August, 2003 (as amended from time to time the “Programme Agreement”) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement for any particular purchase will include a confirmation setting out those provisions of the relevant issue of Notes to be included in the relevant Pricing Supplement. In the Programme Agreement the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of the Notes. The Issuer may sell Notes from time to time to persons or institutions who are not Dealers (such person or institution hereinafter referred to as a “Purchaser”).

### United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and in compliance with any State or other securities laws. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act. Each Dealer has agreed and each further Dealer or Purchaser appointed under the Programme will be required to agree that it will not offer, sell or deliver a Note within the United States or to U.S. persons except as permitted by the Programme Agreement.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possession or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each issuance of Index-Linked Notes will be subject to such additional United States selling restrictions as the Issuer and the relevant Dealer(s) or Purchaser(s) may agree, as indicated in the applicable Pricing Supplement. Each Dealer has agreed that it will offer, sell or deliver such Notes only in compliance with such additional United States selling restrictions.

### United Kingdom

Each Dealer has represented and agreed that, and each further Dealer or Purchaser appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

## **Japan**

The Notes have not been and will not be registered under the securities and exchange law (the “Securities and Exchange Law”) of Japan and, accordingly, each Dealer has represented and agreed and each other Purchaser will be required to represent and agree that it will not offer or sell any Notes directly or indirectly in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly in Japan or to or for the benefit of any resident of Japan except in circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time and compliance with the requirements of the Securities and Exchange Law.

## **Federal Republic of Germany**

Each Dealer has confirmed and each other Dealer or Purchaser appointed under the Programme will be required to confirm that it is aware of the fact that no selling prospectus (“*Verkaufsprospekt*”) has been or will be published in respect of the Programme and that it will comply with the *Securities Selling Prospectus Act* (the “Act”) of the Federal Republic of Germany (“*Wertpapier-Verkaufsprospektgesetz*”), as amended from time to time and all other applicable laws and regulations. In particular, each Dealer has undertaken not to engage in any public offering (“*öffentliches Anbieten*”), public advertising (“*öffentliche Werbung*”) or other selling activities in the Federal Republic of Germany with respect to any Notes otherwise than in accordance with the Act and any other act replacing or supplementing the Act and all other applicable legal and regulatory requirements.

## **Netherlands**

Each Dealer has represented and agreed and each further Dealer or Purchaser appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Notes with a denomination of less than €50,000 or its foreign currency equivalent other than to persons who trade or invest in securities in the conduct of a profession or business, which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises, unless one of the other exemptions from or exceptions to the prohibition contained in Article 3 of the Dutch Securities Transactions Supervisions Act 1995 (“*Woet Toezicht effectenverkeer 1995*”) is applicable and the conditions attached to such exemption or exception are complied with.

## **General**

Each Dealer has agreed and each other Purchaser will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any other Dealer shall have responsibility therefor.

The selling restrictions applicable to the Notes may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement relating to any Series of Notes to which such modification applies or in a supplement to this Prospectus.

With regard to each issue of Notes, the relevant Purchaser will be required to comply with such other additional restrictions as the Issuer and the relevant Purchaser shall agree and as shall be set out in the applicable Pricing Supplement.

## GENERAL INFORMATION

### **Admission of the Notes to the Official List and to Trading on the London Stock Exchange**

The listing of the Notes (excluding unlisted Notes) on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Series of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange will be admitted separately upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Pricing Supplement and as and when such Notes are issued, subject only to the issue of the global Note representing the Notes of that Series. The listing of the Programme in respect of such Notes is expected to be granted on or about 12th August, 2003. Notes may also be listed on other stock exchanges.

### **Material Change**

There has been no significant change in the financial position or operations of the Issuer since 31st March, 2002.

### **Documents and Agreements**

So long as any of the Notes remains outstanding, copies of the Business Development Bank of Canada Act and amendments thereto, the Financial Administration Act and amendments thereto, the By-laws of the Issuer and the most recent Annual Report and all future Annual Reports of Canada and the Issuer and any future prospectuses, offering circulars and information memoranda and supplements (including the Pricing Supplements) to this Prospectus and the documents incorporated herein and therein by reference will be available for collection from and copies of the Agency Agreement (incorporating the forms of the temporary global, permanent global and definitive Notes), the Programme Agreement and the Deed of Covenant will be available for inspection at, the specified office in London of the Agent and at the Head Office of the Issuer.

### **Authorisation**

The establishment and continuation of the Programme were authorised and approved by resolutions of the Executive Committee of the Board of Directors of the Issuer passed on 8th April, 1992, and 28th April, 1993 and borrowings under the Programme have been approved by annual resolutions of the Board of Directors of the Issuer, the most current of which was passed on 5th March, 2003. The issuance of Notes under the Programme has also been approved by the Minister of Finance of Canada.

The authorisation of the Executive Committee of the Board of Directors of the Issuer currently provides in effect that the aggregate outstanding principal amount of the Notes to be issued under this Programme may not exceed, in total, U.S.\$1,000,000,000 or its equivalent in other currencies. Additional authorisations and approvals would be required in order for the Issuer to issue Notes that would exceed this limitation.

### **Litigation**

There are no nor have there been any legal or arbitration proceedings pending or threatened involving the Issuer which may have or have had during the 12 months prior to the date hereof a significant effect on the financial position of the Issuer.

### **Euroclear and Clearstream, Luxembourg**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and ISIN for each issue will be contained in the relevant Pricing Supplement of the Notes are to clear through any other clearing system the appropriate information will be specified in the applicable Pricing Supplement. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction.



### **Documents for Inspection**

Copies of the following documents may be inspected at the head office of the Issuer and at the offices of Stikeman Elliott LLP, Dauntsey House, 48 Frederick's Place, London EC2R 8AB during usual business hours on any weekday (Saturdays and public holidays excepted) throughout the life of the Programme:

- (i) the Business Development Bank of Canada Act and amendments, the Financial Administration Act and amendments and the By-laws of the Issuer;
- (ii) the Annual Reports of the Issuer for each of the financial years ended 31st March, 2001 and 2002, and for subsequent financial years, as and when published;
- (iii) the Annual Financial Report of Canada for the financial year ended 31st March, 2002; and
- (iv) the Programme Agreement, the Agency Agreement (which contains the forms of the global Notes, Definitive Notes, Coupons and Receipts) and the Deed of Covenant.

### **Proposed European Union Savings Directive**

On 3rd June, 2003, the European Council of Economics and Finance Ministers agreed on proposals under which Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or similar incomes) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required to operate a withholding system in relation to such payments (the ending of such transitional period being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries). The proposals are anticipated to take effect from 1st January, 2005.

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