

# DEBT MANAGEMENT REPORT

2006–2007



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## Foreword by the Minister of Finance

Debt reduction is a cornerstone of our economic policy. In our long-term economic plan, *Advantage Canada*, we set out to create a Canadian Fiscal Advantage by eliminating the total government net debt in less than a generation, by 2021.

Like ordinary Canadian families, our government knows the importance of paying off the mortgage or making regular credit card payments.

We firmly believe that it would be irresponsible to pass this national debt onto future generations. Canadians have an obligation to pay for the overspending of previous governments. After all, we are the ones using those services and infrastructure today.

To date, we have made tremendous progress on the debt reduction front.

This year, our government plans to reduce the federal debt by \$10 billion, bringing total debt reduction since 2005–06 to over \$37 billion. This is the equivalent of \$1,570 for each man, woman and child in Canada.

Our government is committed to reducing the national debt by a further \$3 billion in 2008–09 and \$3 billion each year thereafter.

Thanks to this approach, our goal of reducing the debt-to-GDP (gross domestic product) ratio to below 25 per cent will be achieved by 2011–12, three years ahead of the original target date, marking the lowest debt burden since the late 1970s.

This is significant for Canadian individuals, families and businesses, as lower debt means less interest and lower taxes.

Under our Tax Back Guarantee, we are giving Canadians a direct stake and a direct benefit in how we manage government finances on their behalf. We are dedicating all interest savings from the shrinking federal debt to further reduce personal income taxes.

The total value of tax relief provided under the Tax Back Guarantee will rise to \$2.5 billion by 2012–13.

Our government's commitment to tax relief, to focused spending and to further debt reduction is unwavering. We will continue to manage government finances prudently and responsibly in order to make our strong economy even stronger and ensure a prosperous future for generations to come.

The Honourable James M. Flaherty, P.C., M.P.  
Minister of Finance

Ottawa, December 2007



## Purpose of This Publication

This edition of the *Debt Management Report* provides a detailed account of the Government of Canada's borrowing and cash operations for fiscal year April 1, 2006 to March 31, 2007.

It provides a comprehensive report on the environment in which the debt is managed, the composition and changes in the debt during the year, and the implementation of planned borrowing operations and initiatives set out in the 2006–07 *Debt Management Strategy*, published in April 2006. Reference tables containing statistics on the operation of debt programs are provided at the end of the report.

The information contained in this report is designed for a range of interested parties and to ensure transparency and accountability in Government of Canada borrowing and cash management activities. Information on the management of the foreign reserves is provided in a separate report, the *Report on the Management of Canada's Official International Reserves*. The *Debt Management Strategy*, the *Debt Management Report* and the *Report on the Management of Canada's Official International Reserves* are tabled annually in Parliament and are available on the Department of Finance website at [www.fin.gc.ca](http://www.fin.gc.ca).

### Federal Debt Management

Management of the federal debt involves two major activities: actively managing the portion of the debt that is borrowed in financial markets; and investing part of the proceeds of borrowing in liquid assets until needed for operations. At March 31, 2007, the market debt was \$418.8 billion, composed of marketable bonds, treasury bills and cash management bills, retail debt, foreign currency debt and Canada Pension Plan (CPP) bonds. The Government held \$21.2 billion of domestic cash balances.

Market Debt	(C\$ billions)
<i>Payable in Canadian currency</i>	
Marketable bonds	257.5
(fixed-rate bonds with 2-, 5-, 10- and 30-year maturities and Real Return Bonds with 30-year maturities)	
Treasury bills and cash management bills	134.1
(zero-coupon securities with 1-day to 12-month maturities)	
Retail debt	15.2
(Canada Savings Bonds and Canada Premium Bonds)	
CPP bonds	1.7
<i>Payable in foreign currency</i>	
Marketable bonds and foreign currency notes	8.5
(fixed-rate bonds, Canada notes and Euro Medium-Term Notes)	
Canada bills	1.8
(zero-coupon securities with 1- to 9-month maturities)	
Total market debt	418.8
<b>Liquid Financial Assets</b>	
Short-term deposits with financial institutions	21.2

Note: Numbers may not add due to rounding.



This document is structured as follows:

- The introduction provides highlights of the debt program for 2006–07, as well as information related to governance and the debt strategy framework.
- Part I describes the fiscal environment in which the debt is managed and the composition of market debt.
- Part II reports on the implementation of borrowing program initiatives against the 2006–07 debt strategy by major theme: cost and risk of the debt structure; liquidity in the Government of Canada securities market; and participation at government securities auctions.
- Part III provides measures of outcomes during 2006–07 of domestic program operations and auction participation; indicators of secondary market activity; and indicators of foreign reserves funding.
- Annex 1 lists treasury evaluations performed since 1992, Annex 2 contains a glossary of debt management terms and Annex 3 contains contact information.
- Reference tables provide historical information on debt-related activities.



## Introduction

### Highlights

#### Continued Decline in Federal Indebtedness

In 2006–07, the level of federal indebtedness continued to decline. On a full accrual basis, the federal debt, or accumulated deficit, was reduced by \$14.2 billion to \$467.3 billion, down \$95.6 billion from its peak in 1996–97. Similarly, the federal market debt, composed of marketable bonds, treasury bills and cash management bills, retail debt, foreign currency debt and CPP bonds, was reduced by \$8.5 billion to \$418.8 billion, down \$58.1 billion from its peak in 1996–97.

Public debt charges were \$33.9 billion, up \$0.1 billion from fiscal year 2005–06, reflecting an increase in the average effective interest rate on the stock of interest-bearing debt. In 2006–07, they were \$15.5 billion lower than their high reached in fiscal year 1995–96. Public debt charges as a percentage of budgetary revenues have plummeted from a high of 37.6 per cent in 1990–91 to 14.4 per cent in 2006–07.

#### Adjusting the Structure of the Market Debt

Adjustments in the level of treasury bill and net bond issuance continued the process begun in 2003–04 of reducing the fixed-rate share of the debt from two-thirds to a target of 60 per cent. The fixed-rate share fell from 62.5 per cent to 61.9 per cent over the course of the year. The stock of treasury bills, including cash management bills, increased by \$2.5 billion to \$134.1 billion, while the stock of marketable bonds declined by \$3.7 billion to \$257.5 billion.

#### Maintaining a Liquid Government Securities Market

The main challenge in managing the federal debt in recent years has been to support the maintenance of a liquid, well-functioning government securities market as a source of stable low-cost funding in the face of declining borrowing requirements. To this end, debt operations during the 2006–07 fiscal year continued to focus on the liquidity of new issues and outstanding benchmark bonds. Gross issuance of new 5-year bonds was reduced to take advantage of fungibility (i.e. the ability to combine different bonds that share the same maturity date) to help support liquidity in all maturities.

#### Consolidated Borrowings of Crown Corporations

The Government announced in Budget 2007 that it plans to meet all of the domestic borrowing needs of the Business Development Bank of Canada, Canada Mortgage and Housing Corporation and Farm Credit Canada through direct lending to these Crown corporations, beginning in 2008. Prior to this change, these Crown corporations obtained funding directly through the capital markets, under their own name. The Government's own debt program will be adjusted to accommodate the additional need for funds.



### **Amendments to the Financial Administration Act**

In 2007, amendments were made to the Financial Administration Act (FAA) regarding the Government's borrowing activities to provide greater transparency and accountability, and increase flexibility to meet future borrowing needs, particularly with respect to the consolidation of Crown borrowings.

Notably, the existing \$4-billion statutory non-lapsing limit on borrowing authority was replaced with a more flexible, simplified and streamlined framework that consolidates the borrowing authority into one general provision, under the authority of the Governor in Council.

The amendments also provided for enhanced disclosure on anticipated borrowing and planned uses of funds through the *Debt Management Strategy*; enhanced disclosure requirements on actual borrowing and uses of funds compared to those forecast through the *Debt Management Report*; and detailed information on outcomes provided in the Public Accounts.

The period within which the *Debt Management Report* must be tabled was also shortened from 45 to 30 sitting days following the tabling of the Public Accounts.

The added flexibility provided by these amendments to the FAA will facilitate more efficient, responsive and prudent financial management.

### **Improvement to the Code of Conduct for the Domestic Debt Market**

The liquidity of the domestic debt market is a function of program design and public confidence in its integrity. The Investment Dealers Association of Canada (IDA) Policy No. 5, *Code of Conduct for IDA Member Firms Trading in Wholesale Domestic Debt Markets*, originally introduced in 1998 and developed jointly with the Bank of Canada and the Department of Finance, is the formal code of conduct for dealing practices in wholesale domestic debt markets. Revisions were made to the Policy in early 2006 to further strengthen integrity in the trading of Canadian fixed-income securities and thereby to encourage liquidity and efficiency, promote public confidence and encourage the maintenance of active Government of Canada securities trading and lending.



## **Debt Strategy Framework**

### **Governance**

Responsibility for strategic planning and the operational management of the market debt and liquid assets, including the foreign exchange reserves, which are collectively termed “funds management,” is jointly borne by officials at the Department of Finance and the Bank of Canada. The Bank of Canada acts as fiscal agent for the Minister of Finance in issuing debt, investing funds and conducting other market operations.

The oversight of activity is carried out through the Funds Management Committee (FMC), which comprises senior management from the Department of Finance and the Bank of Canada. The FMC advises the Minister of Finance on policy and strategy, oversees the implementation of approved policy and plans, and reviews performance outcomes.

The FMC is supported by the Risk Committee (RC), whose mandate is to oversee and advise on risk management policy and to report to the FMC on financial risk positions. The Financial Risk Office at the Bank of Canada provides analytical support to the RC in this role and is responsible for monitoring and regularly reporting on the financial performance and position of certain financial assets and foreign-currency-denominated derivatives, including market, credit, operational, liquidity and legal risks.

In order to inform future decision making and to support transparency and accountability, different aspects of the Government of Canada’s treasury activities are reviewed periodically under the Department of Finance’s treasury evaluation program. The program’s purpose is to obtain periodic external assessments of the frameworks and processes used in the management of wholesale and retail market debt, cash and reserves as well as the treasury activities of other entities under the authority of the Minister of Finance (see the Section “Program Reviews and Evaluations” in Part II and Annex 1).

For additional details on the governance framework, see the *Funds Management Governance Framework* at [www.fin.gc.ca/treas/Goveev/TMGF\\_e.html](http://www.fin.gc.ca/treas/Goveev/TMGF_e.html).

## Objectives and Principles

Management of Government of Canada funds encompasses issuance of debt, management of liquidity, and investment of financial assets. All funds management activities are conducted in view of overarching principles.

### Key Principles

- **Efficiency and effectiveness:** Policy development and operations should take into account, to the extent possible, leading practices of other comparable sovereigns. Regular evaluations should be conducted to ensure the efficiency and effectiveness of the governance framework and of borrowing and investing programs.
- **Transparency and accountability:** Information on financial asset and liability management plans, activities and outcomes should be made publicly available in a timely manner. Information on borrowing costs, investment performance and material exposures to financial risk should be measured, monitored, controlled and regularly reported as applicable.

In addition, distinct objectives and principles have been established within the financial asset and liability management function pertaining to the management of domestic debt and cash, foreign reserves, and retail debt.

### *Domestic Debt and Cash Management Objectives*

The fundamental objective of domestic debt and cash management is to raise stable and low-cost funding to meet the operational needs of the Government of Canada.

An associated objective is to maintain a well-functioning market in Government of Canada securities, which helps to keep debt costs low and benefits a wide array of domestic market participants.

### *Domestic Debt and Cash Management Principles*

In pursuit of these objectives, the Government of Canada manages its activities according to a set of principles.

- **Transparency, regularity and liquidity:** The design and implementation of the domestic debt program should emphasize transparency, regularity and liquidity to support a well-functioning government securities market. The Government should consult regularly with market participants to ensure the integrity and attractiveness of the market for dealers and investors.
- **Prudence:** Prudence should be maintained by managing the structure of the debt, raising funds for domestic operational needs using a variety of instruments denominated in Canadian dollars, and managing exposure to credit risk through diversification.



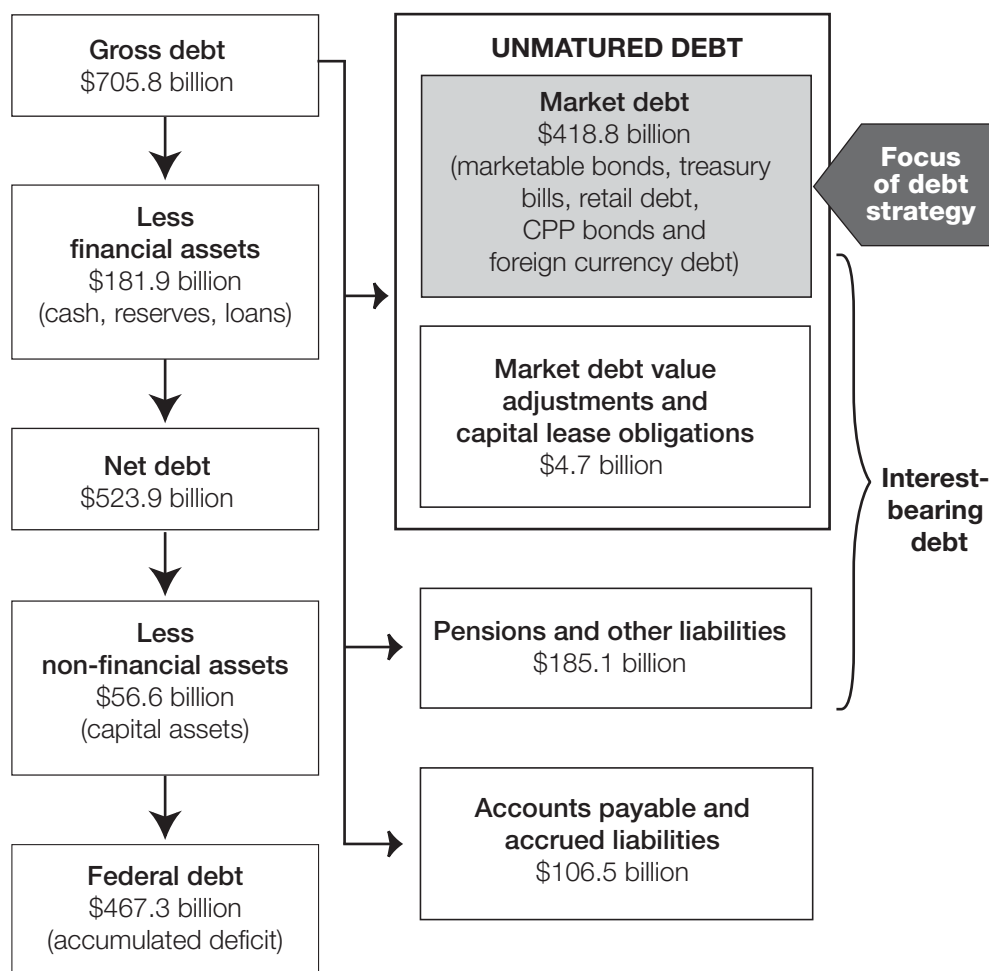
## Part I: 2006–2007 Debt Management Context

Since the annual debt-servicing cost represents 15 per cent of total federal expenses, effective management of the federal debt is important to all Canadians. This section provides an overview of the context within which debt management decisions were taken in 2006–07.

### Composition of the Federal Debt

The federal debt consists of the total liabilities of the Government of Canada (gross debt) minus financial and non-financial assets. The following diagram illustrates the relationships between the components of the federal debt, based on the 2006–07 fiscal year.

#### Federal Debt as at March 31, 2007



Note: Numbers may not add due to rounding.



For accounting purposes, gross debt is decomposed into: market debt, which is issued and outstanding in financial markets; value adjustments to market debt (for the foreign exchange value of swap liabilities and the net of unamortized premiums and discounts of new issues and buybacks); capital leases; and other liabilities. Other liabilities comprise liabilities held outside capital markets and include obligations to public sector pension plans as well as accounts payable and accrued liabilities and allowances.

Financial assets comprise cash on deposit with the Bank of Canada, chartered banks and other financial institutions, accounts receivable (including tax receivables), foreign exchange accounts, and loans, investments and advances.

Non-financial assets comprise tangible capital assets, inventories and prepaid expenses.

In 2006–07, the federal debt, or accumulated deficit, was reduced by \$14.2 billion to \$467.3 billion. Similarly, the federal market debt was reduced by \$8.5 billion to \$418.8 billion (see Table 1).

**Table 1**  
*Change in Composition of Federal Debt*

	2002–03	2003–04	2004–05	2005–06	2006–07
			(\$ billions)		
Market debt	438.6	436.5	431.8	427.3	418.8
Market debt value adjustments	-1.1	-2.5	-4.3	-6.1	-4.7
Unmatured debt	437.5	434.0	427.4	421.1	414.1
Pension and other liabilities	178.3	180.9	179.8	179.9	185.1
Interest-bearing debt	615.8	614.9	607.2	601.0	599.2
Accounts payable and accrued liabilities	83.2	85.2	97.7	101.4	106.5
Gross debt	699.0	700.1	705.0	702.5	705.8
Less: financial assets	139.5	149.1	155.4	165.6	181.9
Net debt	559.6	551.0	549.6	536.9	523.9
Less: non-financial assets	54.2	54.8	54.9	55.4	56.6
Federal debt (accumulated deficit)	505.3	496.2	494.7	481.5	467.3

Note: Numbers may not add due to rounding.



## The Budgetary Context

### Budgetary Outcome and Public Debt Costs

The budgetary surplus of \$13.8 billion recorded in 2006–07 was the federal government's 10th consecutive surplus. Federal debt stood at \$467.3 billion at the end of 2006–07, down \$95.6 billion from its peak of \$562.9 billion in 1996–97. The federal debt-to-GDP ratio is 32.3 per cent, down from its peak of 68.4 per cent in 1995–96 (see Chart 1). As announced in the 2007 Economic Statement, the Government plans to achieve a debt-to-GDP ratio of 25 per cent by 2011–12, three years ahead of the original target.

Public debt charges were up \$0.1 billion to \$33.9 billion from 2005–06, and represented 5.7 per cent of interest-bearing debt, up 0.1 per cent from 2005–06, reflecting higher average effective interest rates on the stock of interest-bearing debt. However, public debt charges as a percentage of GDP declined to 2.3 per cent in 2006–07 from 2.5 per cent in 2005–06 (see Charts 1 and 2).

Public debt charges as a percentage of budgetary revenues have been decreasing in recent years, falling from the peak of 37.6 per cent in 1990–91 to 14.4 per cent in 2006–07. In other words, the Government spent just over 14 cents of every revenue dollar on interest payments on the public debt in 2006–07 (see Chart 2).

For additional information, see the 2006–07 *Annual Financial Report of the Government of Canada* at [www.fin.gc.ca/purl/afr-e.html](http://www.fin.gc.ca/purl/afr-e.html).

Chart 1  
**Federal Debt and Public Debt Charges  
as a Percentage of GDP**

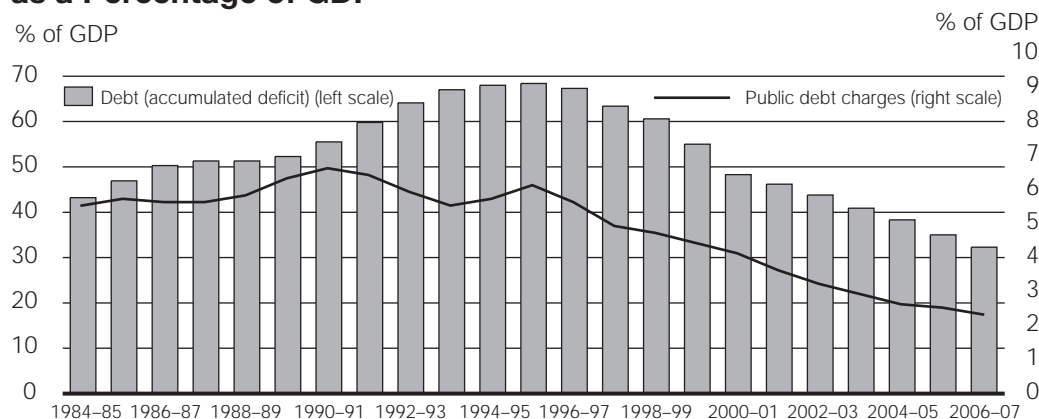
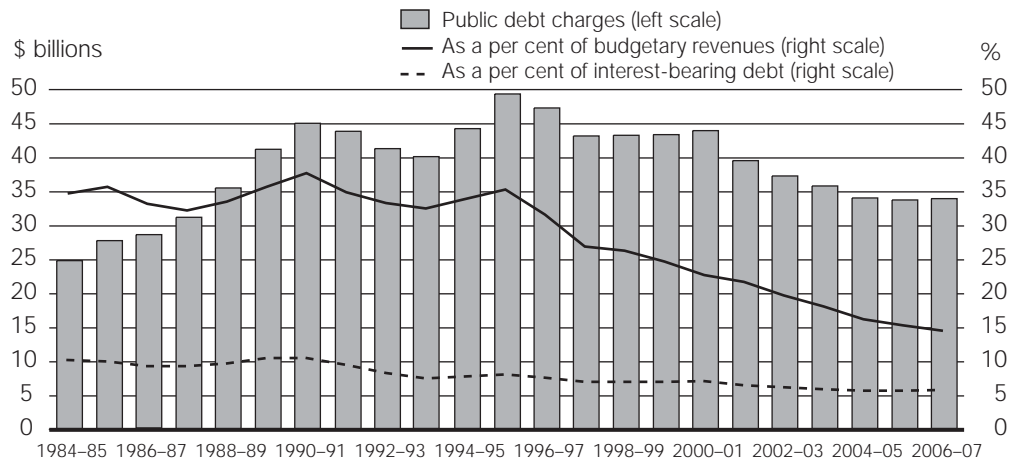




Chart 2  
**Public Debt Charges**



**Financial Source/Requirement**

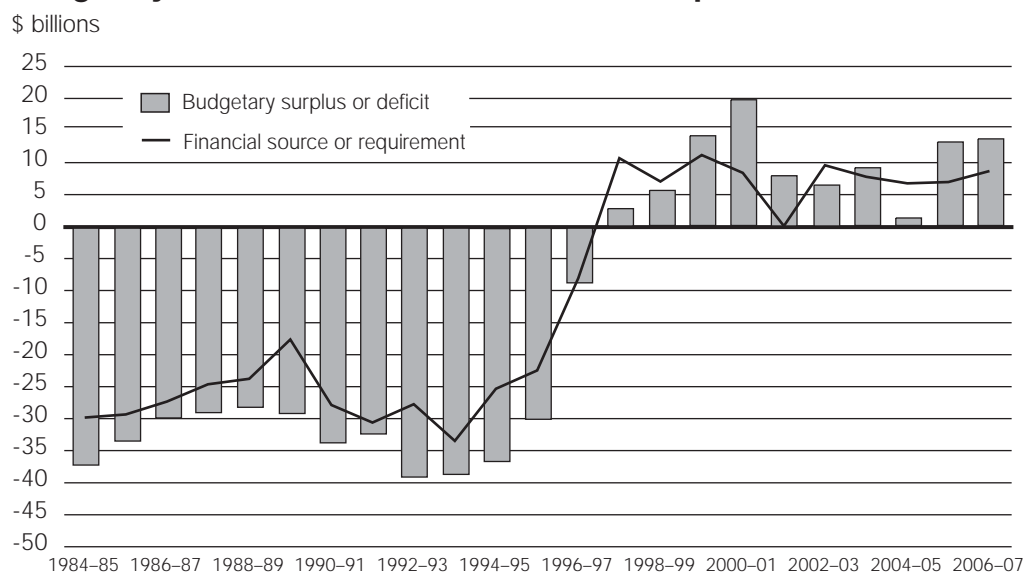
The key budgetary reference point for debt management is the financial source/requirement, which measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by the budgetary balance but also by the Government’s non-budgetary transactions.

The budgetary balance is presented on a full accrual basis of accounting, recording government liabilities and assets when they are incurred or acquired, regardless of when the cash is paid or received. Non-budgetary transactions comprise changes in federal employee pension accounts; changes in non-financial assets; investing activities through loans, investments and advances; and other transactions (e.g. changes in other financial assets and liabilities and foreign exchange activities). Non-budgetary transactions also include adjustments made to convert the Government’s financial statements from full accrual to cash accounting.

In 2006–07, the budgetary surplus of \$13.8 billion and a net requirement of funds from non-budgetary transactions of \$5.2 billion produced a financial source of \$8.5 billion. This compares to a financial source of \$6.8 billion in 2005–06, \$6.6 billion in 2004–05 and \$7.6 billion in 2003–04 (see Chart 3).



Chart 3  
**Budgetary Balance and Financial Source/Requirement**



Sources: *Public Accounts of Canada* and Statistics Canada.

## Capital Market Environment

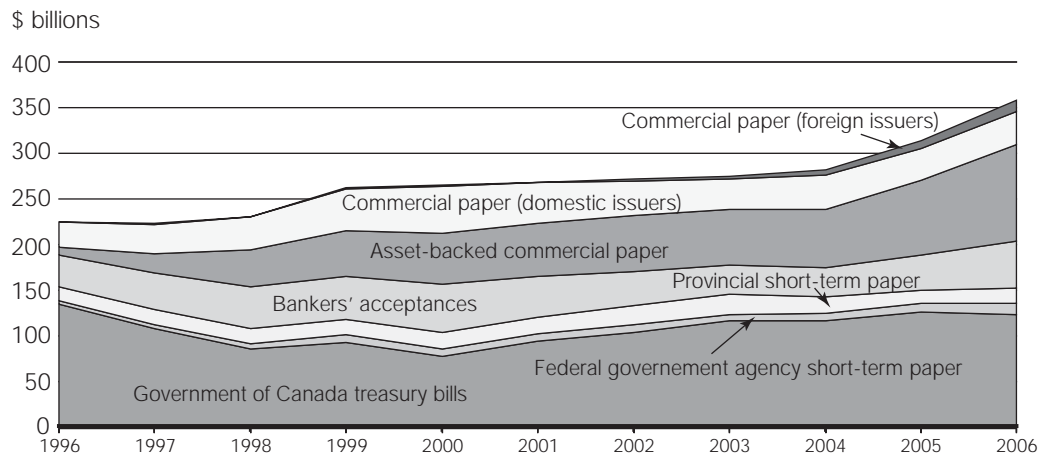
The share of the domestic debt market occupied by Government of Canada securities has declined since 1996. At December 31, 2006, Government of Canada treasury bills represented 35 per cent of total short-term securities, down from 60 per cent in 1996. This decline in market share was largely offset by the growth of asset-backed commercial paper, whose share increased from 4 per cent to almost 30 per cent over that time period.

While the paydown of Government of Canada debt explains part of this decline in market share, the main reason is the significant overall growth of the fixed-income market. According to the Bank of Canada, outstanding short-term domestic securities have increased from \$226 billion in 1996 to almost \$360 billion in 2006. Similarly, outstanding domestic bonds have increased from \$656 billion in 1996 to \$1,105 billion in 2006 (see Charts 4 and 5).

At December 31, 2006, Government of Canada bonds represented 24 per cent of total bonds outstanding, down from almost 50 per cent in 1996. Over that time period, the market share for corporate paper increased from 13 per cent to 24 per cent, and the share for term securitizations increased from 3 per cent to 16 per cent.



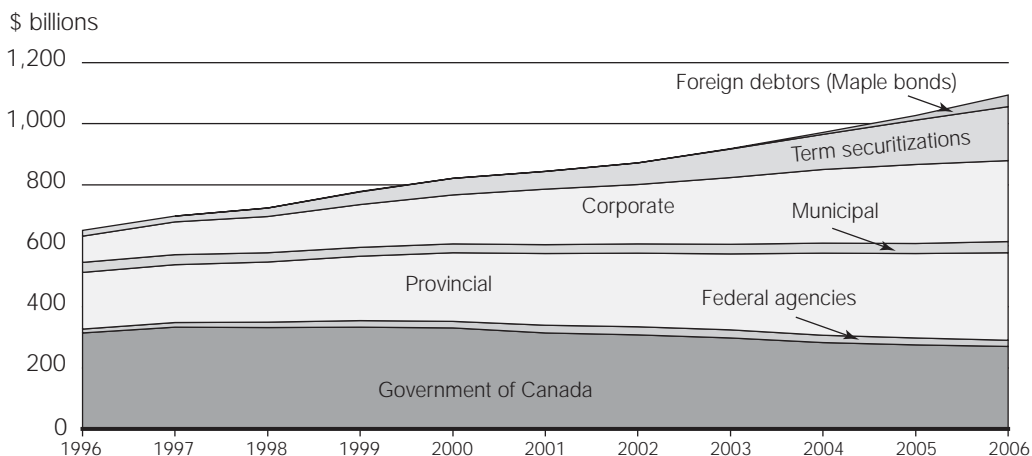
Chart 4  
**Amount of Domestic Short-Term Securities Outstanding by Issue Type, at December 31**



Note: Municipal short-term issuance since 1996 has been negligible.

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

Chart 5  
**Amount of Domestic Bonds Outstanding by Issue Type, at December 31**



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



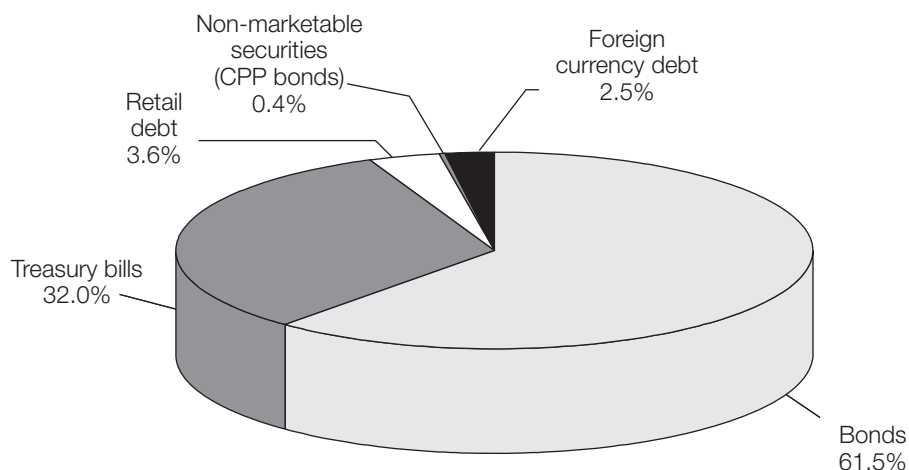
## Market Debt

There are two types of market debt: domestic debt, which is denominated in Canadian dollars, and foreign currency debt (see Chart 6).

Funding in Canadian dollars is done through both wholesale and retail channels. Wholesale funding is conducted through issuance of marketable securities, namely nominal bonds, Real Return Bonds and treasury bills, including cash management bills. These securities are sold via auction. Retail funding is raised through sales of Canada Savings Bonds and Canada Premium Bonds to Canadian residents.

Foreign currency debt is used to fund Canada's foreign exchange reserves, which are held in the Exchange Fund Account. At March 31, 2007, foreign currency debt accounted for 2.5 per cent of total market debt, and was composed of Canada bills, notes, bonds and Euro Medium-Term Notes. Foreign reserve assets are also funded by cross-currency swaps of domestic obligations. At March 31, 2007, 7.3 per cent of domestic market debt had been swapped into foreign currencies. In total, including the effect of cross-currency swaps, foreign obligations represented 9.8 per cent of market debt.

Chart 6  
**Market Debt**  
As at March 31, 2007





A detailed description of Government of Canada market debt instruments is available at [www.fin.gc.ca/invest/instru-e.html](http://www.fin.gc.ca/invest/instru-e.html).

Table 2 shows the change in the composition of federal market debt at March 31, 2007, by domestic and foreign currency debt programs. Domestic debt fell by \$4.7 billion while foreign currency debt declined by \$3.7 billion. Further details on the changes in programs and indicators of debt management operations and activities can be found in Part III.

**Table 2**

*Change in Composition of Federal Market Debt, 2006–07*

	April 1, 2006 Outstanding	March 31, 2007 Outstanding	Change
		(\$ billions)	
Domestic debt	413.2	408.5	-4.7
Foreign currency debt <sup>1</sup>	14.1	10.4	-3.7
<b>Total market debt</b>	<b>427.3</b>	<b>418.8</b>	<b>-8.5</b>

Note: Numbers may not add due to rounding.

<sup>1</sup> Liabilities are stated at par value using March 31, 2007 closing exchange rates.



## Part II: Report on the 2006–2007 Debt Strategy

The 2006–07 *Debt Management Strategy*, published in April 2006, set out an action plan for the management of the debt and cash balances for the 2006–07 fiscal year (for more information, see the 2006–07 *Debt Management Strategy* at [www.fin.gc.ca/toce/2006/dms06e.html](http://www.fin.gc.ca/toce/2006/dms06e.html)).

The first part of this section provides information on the total amount of borrowings relative to borrowing authority. The second part describes in more detail actions taken within the borrowing authority framework, organized around two key debt strategy objectives: raising stable, low-cost funding and maintaining a well-functioning government securities market. A summary of the plan and actions taken can be found at the end of this section.

### Borrowing Authority

Authority to borrow in financial markets is provided by Part IV of the Financial Administration Act (FAA), which authorizes the Minister of Finance to issue securities and undertake related activities, including entering into financial contracts and derivatives transactions.

Amendments were made to the FAA in 2007, including a requirement for greater transparency and enhanced disclosure regarding the Government's borrowing activities. The purpose of this section is to fulfill this requirement.

Borrowing authority is obtained from the Governor in Council through an Order in Council (OIC). The OIC on borrowing authority for the 2006–07 fiscal year specified that the maximum aggregate principal amount of money that the Minister of Finance was authorized to borrow was \$210 billion.<sup>1</sup> This amount is based on the debt strategy plan outlined in the 2006–07 *Debt Management Strategy*, plus a margin for flexibility as part of prudent debt management.

In 2006–07, the aggregate principal amount of money borrowed was \$174 billion, well below the \$210-billion threshold, because a margin for flexibility is required for ongoing prudent debt management and for the refinancing of maturing debt (see Table 3).

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<sup>1</sup> The OIC for 2006–07 can be viewed on the website of the Privy Council Office at [www.pco-bcp.gc.ca/oic-ddc/oic-ddc.asp?lang=EN](http://www.pco-bcp.gc.ca/oic-ddc/oic-ddc.asp?lang=EN), using reference number 2006-0140.



**Table 3**  
*Aggregate Principal Amount of Money Borrowed, 2006–07*

	(\$ billions)
<b>Issued in Canadian currency</b>	
Nominal bonds	31.8
Real Return Bonds	1.6
Treasury bills and cash management bills <sup>1</sup>	134.1
Retail debt	1.8
Total issued in Canadian currency	169.3
<b>Issued in foreign currency<sup>2</sup></b>	
Foreign currency bonds	0.0
Canada bills <sup>1</sup>	4.7
Canada notes	0.0
Euro Medium-Term Notes	0.0
Total issued in foreign currency	4.7
<b>Total principal borrowed</b>	<b>174.0</b>

<sup>1</sup> Estimated peak of the stock during the year.

<sup>2</sup> Foreign currency debt issued stated using March 31, 2007 closing exchange rates.

## **Raising Stable, Low-Cost Funding**

Achieving the objective of raising stable low-cost financing involves managing the Government's exposure to changes in interest rates and their impact on borrowing costs (interest rate risk). This section highlights the actions taken to manage interest rate risk.

### **Debt Structure**

The Government's interest-bearing debt is made up of a mix of short- and long-term debt, with a maximum maturity of just under 35 years. There is generally a trade-off between cost and risk in the selection of which tenors to issue. Borrowing costs of longer-term instruments tend to be higher but are fixed for the period of the loan, therefore reducing the risk of having to refinance at higher interest rates. On the other hand, borrowing costs of shorter-term instruments tend to be lower on average but are fixed for shorter periods, therefore increasing the risk of having to refinance the debt at higher interest rates. Under the debt strategy, the balance between fixed-rate (longer-term) and floating-rate (short-term) debt in the market debt structure is managed over time to keep debt-servicing costs stable and low.

The main operational target used to manage the debt structure is the fixed-rate share, which measures the proportion of all government interest-bearing debt that does not mature or need to be repriced within one year relative to the total amount of interest-bearing debt. In the February 2003 budget, the Government announced its intention to reduce the fixed-rate share target from two-thirds to 60 per cent by the end of fiscal 2007–08.

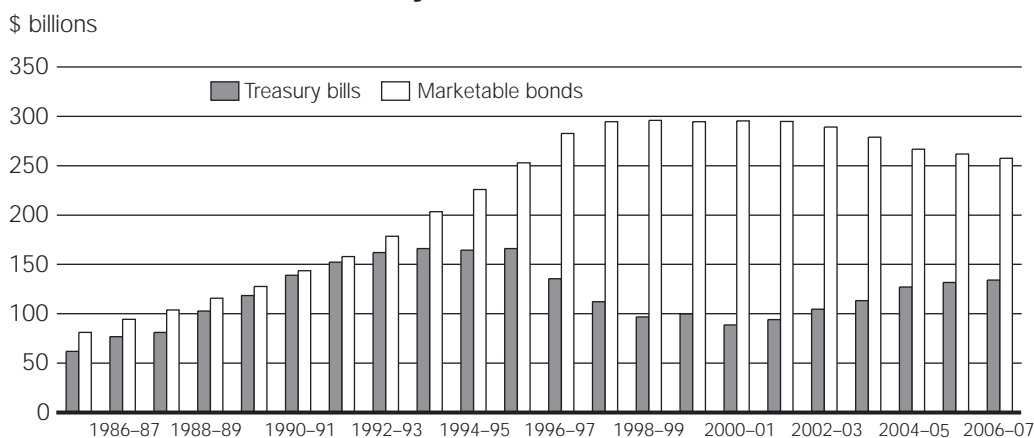


The decision to lower the fixed-rate share took into account the positive economic and fiscal developments in Canada in recent years. Financial simulation modelling indicated that a 60-per-cent fixed-rate share would result in lower borrowing costs, on average, under a large number of potential interest rate scenarios, without compromising debt-cost stability.

The fixed-rate share declined from 62.5 per cent to 61.9 per cent over the 2006–07 fiscal year. The stock of outstanding treasury bills, including cash management bills, which are floating-rate debt, increased from \$131.6 billion to \$134.1 billion in 2006–07, while the stock of outstanding marketable bonds, which are fixed-rate debt, declined from \$261.1 billion to \$257.5 billion (see Chart 7).

Chart 7

### Stock of Domestic Treasury Bills and Marketable Bonds



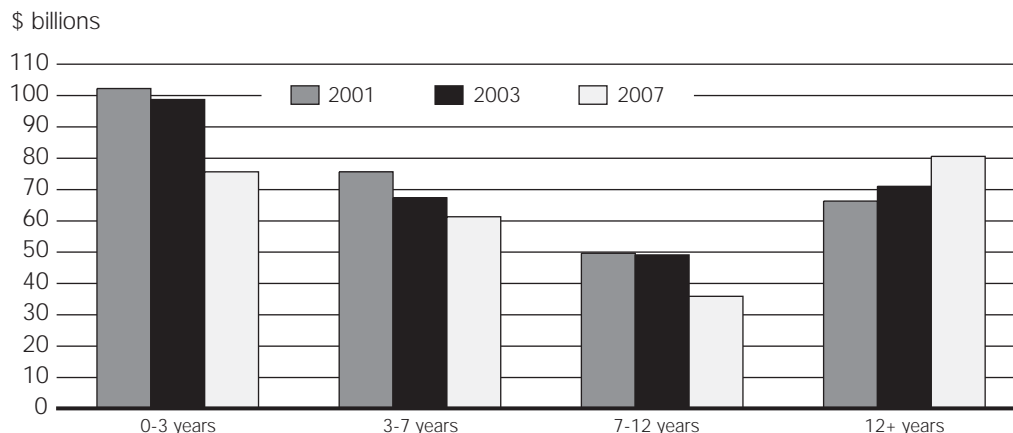
### Maturity Profile

A well-distributed maturity profile ensures a controlled exposure to changes in interest rates over time and provides liquidity across different maturity sectors.

In 2006–07, debt issuance plans continued to emphasize the distribution of borrowing across three treasury bill maturities (3, 6 and 12 months) and five bond maturities (2-, 5-, 10- and 30-year nominal bonds and 30-year Real Return Bonds).

The maturity profile of outstanding Government of Canada bonds has evolved over time and is well distributed across each of the maturity sectors (see Chart 8). The increase in the stock of long-dated bonds is primarily due to a larger supply of Real Return Bonds and an increase in the inflation adjustment.

Chart 8  
**Maturity Profile of Outstanding Government of Canada Bonds at March 31**



Source: Bank of Canada.

## Maintaining a Well-Functioning Government Securities Market

A well-functioning wholesale market in Government of Canada securities is important; it benefits the Government as a borrower as well as a wide range of market participants. For the Government as a debt issuer, a well-functioning market attracts investors and contributes to keeping funding costs low and stable over time. For market participants, a liquid and transparent secondary market in government debt provides risk-free assets for investment portfolios, a pricing benchmark for other debt issues and derivatives, and a primary tool for hedging interest rate risk.

In 2006–07, the following actions were taken to promote liquidity in Government of Canada securities:

- **Regular and transparent issuance:** The practice of pre-announcing quarterly bond auction schedules was continued. As in recent years, there were regular auctions for 2-, 5-, 10- and 30-year nominal bonds, as well as for 30-year Real Return Bonds. Regular and pre-announced issuance provided certainty for dealers and investors in terms of planning their investment activities and supported participation and competitive bidding for auctions of securities.
- **Benchmark target sizes:** The 2-, 5-, 10- and 30-year new building-benchmark target sizes were unchanged from the previous year (2-year bonds: \$7 billion to \$10 billion; 5-year bonds: \$9 billion to \$12 billion; 10-year bonds: \$10 billion to \$14 billion; and 30-year bonds: \$12 billion to \$15 billion). All non-fungible benchmarks built in 2006–07 were within their target range. For benchmarks that were fungible with large existing bonds, the benchmark size was deemed attained once the total amount of outstanding bonds for that maturity date exceeded the minimum benchmark size for that maturity sector.
- **Regular bond buyback program:** Against the backdrop of debt paydown in recent years, use of the regular bond buyback program on both a switch and cash basis to repurchase less liquid off-the-run bonds with more than 18 months to maturity has helped maintain gross bond issuance and benchmark bond sizes at higher levels than would have been possible without the buyback program.



## 2006–2007 Debt Program

The total amount of gross new benchmark bonds issued in 2006–07 was \$33.4 billion, about \$2 billion more than the plan set out in the 2006–07 *Debt Management Strategy*. The volume for bond buyback operations was \$9.8 billion, above the planned range of \$7 billion to \$8 billion. The increase in gross issuance was made possible by the stronger-than-expected bond buyback operations owing to favourable market conditions. The net amount of bonds issued in 2006–07 (gross issuance net of buybacks) was approximately \$23.6 billion, in line with the amount originally planned in the 2006–07 *Debt Management Strategy* (see Table 4).

**Table 4**  
*High-Level Overview of Annual Bond Program Operations*

	2002–03	2003–04	2004–05	2005–06	2006–07
			(\$ billions)		
Nominal	36.4	33.9	30.8	27.9	27.3
Nominal (switch)	5.9	5.5	4.7	4.5	4.5
Real Return Bonds	1.4	1.4	1.4	1.5	1.6
Total gross issuance	43.7	40.8	36.9	33.9	33.4
Cash buybacks	-7.1	-5.2	-6.8	-5.3	-5.1
Switch buybacks	-5.0	-5.0	-4.7	-3.3	-4.7
Total buybacks	-12.1	-10.2	-11.4	-8.6	-9.8
Net issuance	31.6	30.7	25.5	25.3	23.6

Note: Numbers may not add due to rounding.

Source: Bank of Canada.

The regular bond buyback program is conducted on a cash as well as a switch basis. Buybacks on a cash basis are “reverse auctions,” where off-the-run bonds offered to the Government are exchanged for cash. Buybacks on a switch basis are also “reverse auctions,” but involve the exchange of off-the-run bonds for the current building benchmark.

The cash management bond buyback (CMBB) program, through which a portion of the outstanding bonds maturing in up to 12 months are repurchased prior to their maturity, helps manage cash requirements by reducing the high levels of cash balances needed for key coupon and maturity payment dates (such as June 1, September 1 and December 1). This reduces the market impact of the otherwise high cash levels needed for those dates. The purchase of bonds through the CMBB program in 2005–06 and 2006–07 reduced the amount of bonds maturing in 2006–07 by 35 per cent.

As a result of actions taken to promote liquidity in Government of Canada securities, there are now fewer small, illiquid high coupon bonds and more large and liquid old benchmarks compared to 2000. Since 2000, the number of individual bonds outstanding has been reduced from 71 to 49 at March 31, 2007, while the average size per maturity date has increased from \$5 billion to just over \$6 billion (see Table 5).



**Table 5**  
*Impact of Debt Management Activities on Profile of Outstanding Bonds*

	Nominal Bonds		Real Return Bonds		Total	
	2000	2007	2000	2007	2000	2007
Total bonds outstanding (\$ billions)	281.3	231.4	13.1	26.5	294.4	257.4
Average size per maturity date (\$ billions)	5.0	6.3	4.0	4.5	5.0	6.1
Number of bonds outstanding	68	44	3	5	71	49
Number of maturity dates	56	36	3	5	59	41
Weighted average coupon rate (%)	7.52	5.32	4.22	3.8	–	–

Sources: Bank of Canada and *Public Accounts of Canada*.

### **Consolidated Borrowings of Crown Corporations**

The Government announced in Budget 2007 that it planned to meet all of the borrowing needs of the Business Development Bank of Canada (BDC), Canada Mortgage and Housing Corporation (CMHC) and Farm Credit Canada (FCC) through direct lending to these Crown corporations, beginning in 2008. This initiative came as a result of an evaluation report submitted by an external evaluator in September 2005, which recommended further review of the potential costs and benefits of consolidation of Crown borrowing activity with the Government's own borrowing program (for more information, see *Review of Borrowing Framework of Major Federal Government-Backed Entities* at [www.fin.gc.ca/toce/2005/MFGBE-e.html](http://www.fin.gc.ca/toce/2005/MFGBE-e.html)). This recommendation was adopted and follow-up analysis was undertaken in consultation with the Crown corporations.

The consolidation of Crown borrowing activity will not affect federal debt or total government net debt, since increased federal borrowing will be matched by additional assets in the form of loans to the Crown corporations.

The Government's own debt program will be adjusted to accommodate the additional need for funds. Under the new arrangement, BDC, CMHC and FCC debt issued prior to consolidation, as well as any debt issued by these Crowns in 2007, will remain outstanding in the marketplace. The Minister of Finance will continue to approve all Crown borrowing plans within the context of annual corporate plan approvals. Crown corporations will continue to be responsible for the governance and management of their treasury functions, including decisions about how much to borrow from the Government of Canada.

Amendments to the Financial Administration Act, which recently came into force, provide for greater transparency and accountability regarding the Government's borrowing activities and increased flexibility to meet future borrowing needs, particularly with respect to the consolidation of Crown borrowings.



## **Improvement to the Code of Conduct for the Domestic Debt Market**

The liquidity of the domestic debt market is a function of program design and public confidence in its integrity. The Investment Dealers Association of Canada (IDA) Policy No. 5, *Code of Conduct for IDA Member Firms Trading in Wholesale Domestic Debt Markets*, originally introduced in 1998 and developed jointly with the Bank of Canada and the Department of Finance, is the formal code of conduct for dealing practices in wholesale domestic debt markets.

Ongoing vigilance is required to maintain the integrity of the trading in Canadian fixed-income securities and thereby to encourage liquidity and efficiency, promote public confidence, and support the maintenance of active Government of Canada securities trading and lending.

On June 2, 2006, the IDA, at the request of the Bank of Canada, required primary dealers of Government of Canada securities to provide information on inventory positions for the 10-year Government of Canada benchmark issue. This action was prompted by conditions in the repo market for the 10-year Government of Canada benchmark issue.

A review of the Net Position Reports and information derived from financial markets indicated that there were insufficient grounds to warrant the Bank requesting the IDA to conduct an investigation (to view the announcement, see *Net Position Reports—Formal Recommendation from the Bank of Canada*, available at [www.bankofcanada.ca/en/notices\\_fmd/2006/not070906.html](http://www.bankofcanada.ca/en/notices_fmd/2006/not070906.html)).

## **Market Consultations**

As in past years, market participants were consulted as part of the process of developing the debt strategy. Views were sought on the liquidity and efficiency of the Government of Canada securities market. In addition, market participants' views were requested on certain operational aspects of domestic debt programs.

Overall, the main messages were that the Government of Canada securities market is functioning well and adapting to an environment of declining borrowing needs. Transaction costs were said to have fallen, partly as a result of the growing use of electronic trading systems.

Given the views received, no major adjustments to debt programs or operations were considered necessary in the short run. Market participants noted a need to supplement liquidity in certain sectors, and were supportive of measures to ensure that bond issuance can be maintained over time.

More details on the subjects of discussion and the views expressed during the consultations can be found at [www.bankofcanada.ca/en/notices\\_fmd/index.html](http://www.bankofcanada.ca/en/notices_fmd/index.html).



## **Program Reviews and Evaluations**

Regular assessments of treasury management frameworks and programs are undertaken as part of good governance and management of the debt program.

### ***Review of the Receiver General Cash Management Program***

KPMG LLP was engaged in the winter of 2005–06, through the treasury evaluation program, to conduct a review of the Receiver General (RG) cash management program (see the *Report on the Evaluation of the Receiver General Cash Management Program* at [www.fin.gc.ca/efa/Report2006\\_e.html](http://www.fin.gc.ca/efa/Report2006_e.html)). The review examined the effectiveness of the cash management program in fulfilling the core objectives of ensuring that the Government has sufficient cash available at all times to meet its operating requirements, while maintaining effective low-cost borrowing under an appropriate risk control framework.

The report submitted by KPMG LLP concluded that the RG cash management program is effective in providing sufficient cash balances to meet the Government's needs. It also found that Canada's cash management program compares well against other sovereign cash managers. With respect to the design of the framework, recommendations made to the Government included adjustments which could encourage greater participation in the RG auctions, and suggestions for alternative treasury management tools to enhance cash management effectiveness. The merits of the recommendations are being considered.

### ***Review of the Exchange Fund Account***

An external evaluation of the Exchange Fund Account (EFA) was completed during 2006–07, which focused on the EFA portfolio structure, investment guidelines, asset eligibility, performance measurement metrics and reporting (see *Evaluation of the Exchange Fund Account* at [www.fin.gc.ca/efa/EFA2006\\_e.html](http://www.fin.gc.ca/efa/EFA2006_e.html)).

The evaluation process involved a comparison of the EFA's investment framework with the general investment practices of similar large, public sector institutional investors. The evaluation concluded that Canada's policies and practices compare well with the practices of other peer institutions, and that the EFA is being managed prudently, effectively and with due regard to the three key objectives of liquidity, capital preservation and return enhancement.

The recommendations presented in the evaluation centred on expanding asset classes to enhance return, subject to maintaining the focus on the key objectives. Of note, an analysis was conducted to evaluate the benefits of including securitized investments, such as asset-backed commercial paper, but concluded the legal risks associated with these securities, and in particular the structure of their pools, were too high relative to the incremental return earned. For more information on the review, see the *Report on the Management of Canada's Official International Reserves*, available at [www.fin.gc.ca/toce/2007/oir07\\_e.html](http://www.fin.gc.ca/toce/2007/oir07_e.html).



## Participation in Government of Canada Operations

Active participation in auction and buyback operations by a diverse group of market participants helps achieve the key objective of raising stable, low-cost funding. Initiatives to enhance the bidding process have been undertaken to broaden participation over the past few years.

Lower turnaround times have enhanced the efficiency of the auction and buyback process and encourage participation by reducing the market risk for participants. In consultations on the development of the debt strategy, market participants have indicated their satisfaction with these changes.

Turnaround times have fallen significantly in recent years, from an average of 45 minutes in 1997–98, to an average of close to 2 minutes for treasury bill and bond auctions and an average of close to 3 minutes for buyback operations in 2006–07 (see Table 6).

**Table 6**  
*Average Turnaround Times for the Release of Auction Results*

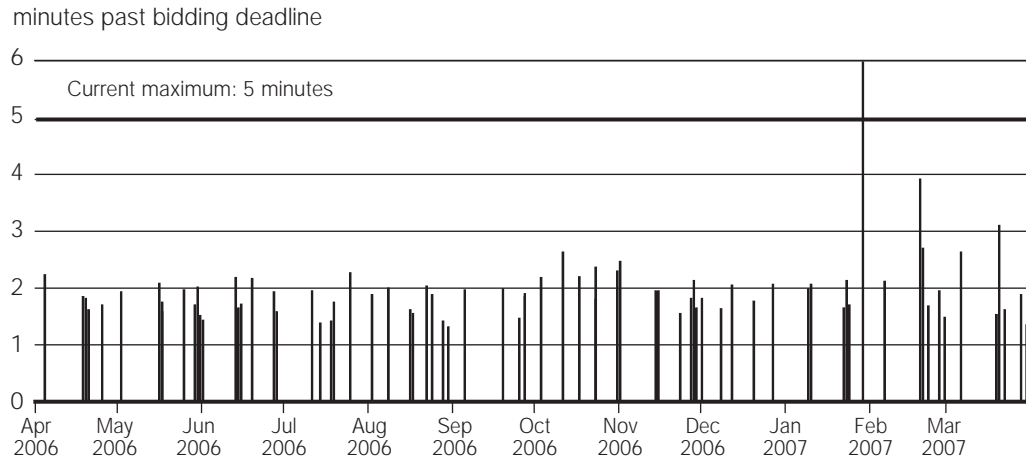
	2004–05	2005–06	2006–07
		(minutes)	
Treasury bill and bond auctions	2:35	2:00	2:08
Buyback operations	6:35	3:18	3:01

Source: Bank of Canada.

The Bank of Canada targets an average turnaround time of less than 3 minutes for auctions and less than 5 minutes for buyback operations. Similarly, maximum turnaround times are 5 minutes for auctions and 10 minutes for buyback operations.

Turnaround times have been on a “best efforts basis” since April 6, 2004 (see Charts 9 and 10). A technical problem was experienced at one cash management bill auction during 2006–07 (see the spike in Chart 9). Although the guideline for maximum turnaround time was exceeded, no market impact was noted.

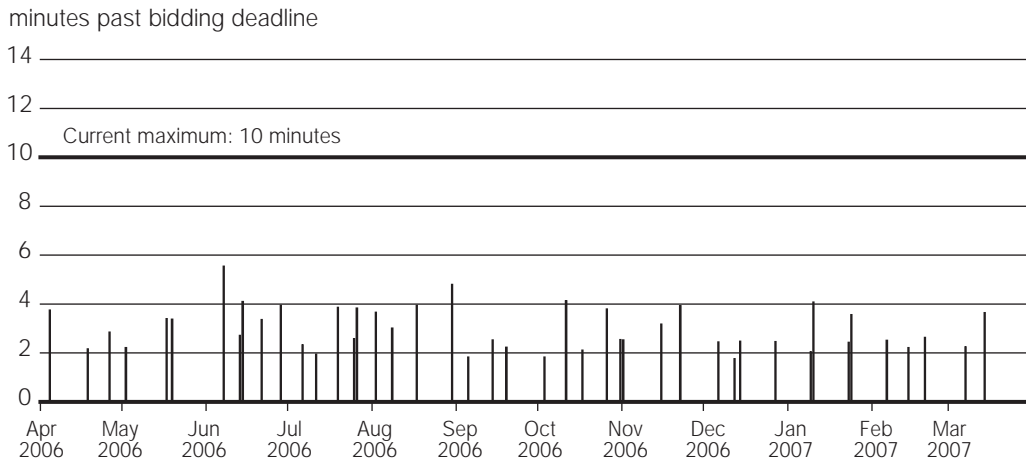
Chart 9  
**Turnaround Times for the Release of the Results  
of Treasury Bill and Bond Auctions, 2006–2007**



Source: Bank of Canada.

Note: The turnaround time on the cash management bill auction of January 29, 2007 was over 17 minutes.

Chart 10  
**Turnaround Times for the Release of the Results  
of Buyback Operations, 2006–07**



Source: Bank of Canada.



## Debt Strategy Plan and Summary of Actions Taken

The following summary reports on the planned initiatives, their purpose and actions taken through 2006–07, as outlined in the *Debt Management Strategy* published in April 2006 (for more information, see the 2006–07 *Debt Management Strategy* at [www.fin.gc.ca/toce/2006/dms06e.html](http://www.fin.gc.ca/toce/2006/dms06e.html)).

### Debt Structure

**Objective:** *Gradually reduce the fixed-rate share of the debt from two-thirds to 60 per cent by 2007–08.*

Plan	Intended Result	Actions Taken
Continue to reduce the fixed-rate share of the debt towards the 60-per-cent target.	Achieve lower debt charges, while continuing to prudently mitigate the risk to the budget framework.	The fixed-rate share was reduced from 62.5 per cent to 61.9 per cent over the 2006–07 fiscal year.
Increase the size of the treasury bill program from \$131.6 billion in 2005–06 to approximately \$135 billion to \$140 billion in 2006–07.		The stock of outstanding treasury bills and cash management bills increased by \$2.5 billion from \$131.6 billion to \$134.1 billion, consistent with the move to a lower fixed-rate share of the debt. The stock of bills is just below plan given the size of the debt paydown.
Issue about \$31 billion of bonds in 2006–07, about \$1 billion less than in 2005–06. Due to large bond maturities and continued bond buyback operations, the bond stock is expected to decrease by some \$6 billion.	Facilitate market adjustment to changes in the bond and treasury bill programs.	\$31.8 billion of nominal bonds were issued. The stock of outstanding nominal bonds declined by \$5.6 billion to \$230.9 billion. Real Return Bond issuance for 2006–07 was \$1.6 billion, increasing the stock of outstanding Real Return Bonds to \$26.5 billion.
Reduce the size of the bond buyback program, with a planned level of between \$7 billion and \$8 billion, roughly \$1 billion less than in 2005–06.	Make the transition to sustainable bond programs and preserve liquidity in outstanding issues.	Due to favourable market conditions, a total of \$9.8 billion in outstanding bonds were repurchased through the 2006–07 regular bond buyback program: \$4.7 billion on a switch basis and \$5.1 billion on a cash basis.

**Debt Strategy Plan and Summary of Actions Taken** *(cont'd)***Debt Structure** *(cont'd)*

Plan	Intended Result	Actions Taken
Maintain a stable maturity profile by continuing to issue in all sectors of the curve and by using the cash management bond buyback (CMBB) program to reduce large maturities.	Limit the need to refinance a large portion of debt in any given period.	Average term to maturity was stable at above 6.5 years. Issuance in all sectors of the curve was as planned.  \$8.2 billion of bonds were repurchased through the CMBB program. The 2005–06 and 2006–07 CMBB operations reduced the amount of bond maturities in 2006–07 by 35 per cent on average.

**Domestic Debt Programs**

**Objective:** *Maintain diversified sources of funding and a well-functioning market.*

Plan	Intended Result	Actions Taken
Continue regular issues of nominal bonds in four maturity sectors, treasury bills in three maturity sectors and a long-dated index-linked bond.	Keep costs low and mitigate funding risk by diversifying borrowing across investor segments, instruments and maturities.	Issuance schedule and maturities of past years were maintained in treasury bills, nominal bonds and Real Return Bonds.
Forgo the 2-year bond auction in the fourth quarter of 2006–07.	Facilitate a reduction in gross bond issuance to lower the fixed-rate share of the debt while maintaining liquidity in that sector of the yield curve.	The reduction in gross bond issuance in the 2-year sector was achieved.
Change the dating of the 5-year benchmark maturity to June 1 from September 1 to make the new benchmarks fungible with old 10-year benchmarks, allowing the 5-year auction in the fourth quarter to be eliminated.	Facilitate a reduction in gross bond issuance and maintain adequate liquidity in that sector as well as for other key bond maturities.	The dating of the 5-year benchmark maturity was changed, and a reduction in gross bond issuance in the 5-year sector was achieved.



## Debt Strategy Plan and Summary of Actions Taken *(cont'd)*

### Domestic Debt Programs *(cont'd)*

Plan	Intended Result	Actions Taken
Maintain current new issuance benchmark target sizes for non-fungible 2-, 5-, 10- and 30-year bonds.	Maintain a liquid market for on-the-run issues and building-benchmark issues.	Benchmark bond target ranges were achieved for non-fungible issues.
Continue to borrow on a pre-announced basis and provide timely notices of government policy decisions.	Maintain transparency and efficiency.	The issuance schedule was announced prior to the start of each quarter and maintained.
For regular buybacks, lower the minimum amount of outstanding benchmark bonds below which buyback operations will not be conducted from \$6 billion to \$5 billion in all maturities.	Increase the amount of bonds eligible for repurchase at buyback operations.	The minimum outstanding amount for buyback operations was reduced to \$5 billion.
Target average turnaround times of less than 3 minutes for auctions and less than 5 minutes for buyback operations. Reduce maximum turnaround times from 10 minutes to 5 minutes for auctions and from 15 minutes to 10 minutes for buyback operations.	Enhance the bidding process and participation while reducing risk for market participants.	In 2006–07, turnaround times on a best efforts basis averaged about 2 minutes for auctions and 3 minutes for buybacks. A technical problem resulted in one cash management bill auction turnaround time exceeding the maximum target time; however, no market impact was noted.



**Debt Strategy Plan and Summary of Actions Taken** *(cont'd)***Domestic Debt Programs** *(cont'd)*

Plan	Intended Result	Actions Taken
Evaluate the merits of consolidation of some or all of the borrowing by major government-backed entities into government debt programs.	Ensure the borrowing framework used by the Government is effective and efficient.	The Government announced in Budget 2007 that it planned to meet the borrowing needs of three Crown corporations (BDC, CMHC and FCC).
Continue research and consultations with market participants and regulators on the transparency of the market for Government of Canada securities.	Support an appropriate level of transparency in the Government of Canada securities market.	Debt strategy consultations took place in 2006–07. A summary of comments received from interested parties can be found earlier in this document in the section entitled “Market Consultations” as well as on the Bank of Canada website.

**Foreign Reserves**

**Objective:** *Improve the cost-effectiveness of funding foreign reserve assets.*

Plan	Intended Result	Actions Taken
Continue to use cross-currency swaps as the primary source of reserve funding.	Keep the cost of carrying reserve assets low.	Cross-currency swaps remained the principal means of funding the foreign exchange reserves. Fifty-one cross-currency swaps were executed in 2006–07 totalling \$5.8 billion.
Implement a new investment regime and new short-term asset classes.	Improve the risk/return profile of the portfolio.	Investments in new short-term asset classes, including certificates of deposit and highly rated traditional commercial paper, stood at \$0.9 billion at the end of 2006–07.



## Part III: Programs and Indicators

Part III is divided into three main sections: indicators of the outcomes of domestic debt program operations, indicators of cash management activity, and indicators of reserves funding. It also provides information on the distribution of holdings of Government of Canada securities.

Outcomes are typically the product of many factors. As a result, the measures may not directly reflect the impact of specific government debt management policies, but serve as useful metrics to help interpret and understand the results and context of debt management initiatives.

### Domestic Debt Programs

Measures of outcomes in the area of domestic debt management can be divided into two groups: those associated with the debt issuance process (the primary market) and those dealing with post-issuance trading (the secondary market).

Measures of a well-functioning securities market include the degree to which auctions in the primary market are well bid and the level of liquidity and trading in the secondary market. In 2006–07, treasury bill and bond auctions continued to be covered and well bid. Primary dealers, a core group of government securities distributors that maintain a certain threshold of activity in the market for Government of Canada securities, played the dominant role at auctions, winning more than 94 per cent of bonds offered, except in the case of Real Return Bond auctions, where customers won, on average, 25 per cent of the bonds on offer.

The secondary market for Government of Canada securities continues to experience healthy trading volumes and turnover ratios that compare favourably to previous years and to those of other countries. In 2006–07, primary dealers also played a major role in secondary markets, with the top 10 participants accounting for about 98.5 per cent and 94.2 per cent of the turnover of treasury bills and bonds respectively.

### Primary Market

#### *Program Activity*

##### *Nominal Bonds*

Gross bond program issuance in 2006–07 was \$31.8 billion (including issuance through switch buybacks), about \$0.6 billion lower than the \$32.4 billion issued in 2005–06. Gross issuance consisted of \$10.3 billion in 2-year bonds, \$7.8 billion in 5-year bonds, \$10.4 billion in 10-year bonds and \$3.3 billion in 30-year bonds (see Reference Table VIII for more information on bond auctions). In 2006–07, \$22.1 billion of nominal bonds matured. Taking into account gross issuance, buybacks and maturities, the stock of outstanding nominal bonds declined by \$5.6 billion during the fiscal year to \$230.9 billion at March 31, 2007 (see Table 7).

**Table 7**  
*Change in Composition of Federal Market Debt, 2006–07<sup>1</sup>*

	April 1, 2006	Receipts/ Credits	Payments/ Charges	March 31, 2007	Change
	(\$ billions)				
<b>Payable in Canadian currency</b>					
Nominal bonds	236.6	50.2	55.9	230.9	-5.6
Real Return Bonds	24.5	2.0 <sup>1</sup>	0.0	26.5	2.0
Treasury bills and cash management bills <sup>2</sup>	131.6	315.0	312.5	134.1	2.5
Retail debt	17.3	1.9	4.0	15.2	-2.2
CPP bonds and notes	3.1	0.0	1.4	1.7	-1.4
Total domestic debt <sup>3</sup>	413.2			408.5	-4.7
<b>Payable in foreign currencies<sup>4</sup></b>					
Foreign currency bonds <sup>5</sup>	7.4	0.3	1.2	6.4	-0.9
Canada bills	4.7	11.2	14.1	1.8	-2.9
Canada notes	0.5	0.0	0.0	0.5	0.0
Euro Medium-Term Notes	1.5	0.1	0.0	1.6	0.1
Total foreign currency debt	14.1			10.4	-3.7
<b>Total market debt</b>	<b>427.3</b>			<b>418.8</b>	<b>-8.5</b>
Obligations related to capital leases	2.9	0.3	0.1	3.1	0.2
Unamortized discounts and premiums	-6.8	6.9	6.8	-6.7	0.1
Cross-currency swap revaluation	-2.3		-1.2	-1.1	1.2
<b>Total unmatured debt</b>	<b>421.1</b>			<b>414.2</b>	<b>-7.0</b>

Note: Numbers may not add due to rounding.

<sup>1</sup> Includes a Consumer Price Index adjustment of \$390.6 million.

<sup>2</sup> These securities are rolled over, or refinanced, a number of times during the year. This results in a larger number of new issues per year than stock outstanding at the end of the fiscal year.

<sup>3</sup> Includes a consolidation adjustment for Crown corporations and other entities.

<sup>4</sup> Liabilities are stated at par value at the March 31, 2007 exchange rate. Changes in outstanding amounts for foreign currency bonds, Canada notes and Euro Medium-Term Notes include the exchange rate appreciation/depreciation of the currency of issue versus the Canadian dollar.

<sup>5</sup> Includes \$245.4 million in securities assumed by the Government of Canada on February 5, 2001, on the dissolution of Petro-Canada Limited.

### *Real Return Bonds (RRBs)*

With RRB issuance in 2006–07 of \$1.6 billion, and a Consumer Price Index adjustment of \$0.3 billion, the level of outstanding RRBs increased from \$24.5 billion to \$26.5 billion at March 31, 2007 (see Reference Table VIII for more information on RRB auctions).



In the spring of 2007, the Department of Finance and the Bank of Canada sought the views of institutional investors, government securities distributors, and other interested parties regarding the RRB auction plan (see *Spring 2007 Consultations—Views Sought on the Auction Plan for Real Return Bonds* at [www.bankofcanada.ca/en/notices\\_fmd/2007/not220307.html](http://www.bankofcanada.ca/en/notices_fmd/2007/not220307.html)).

### Regular Bond Buyback Program

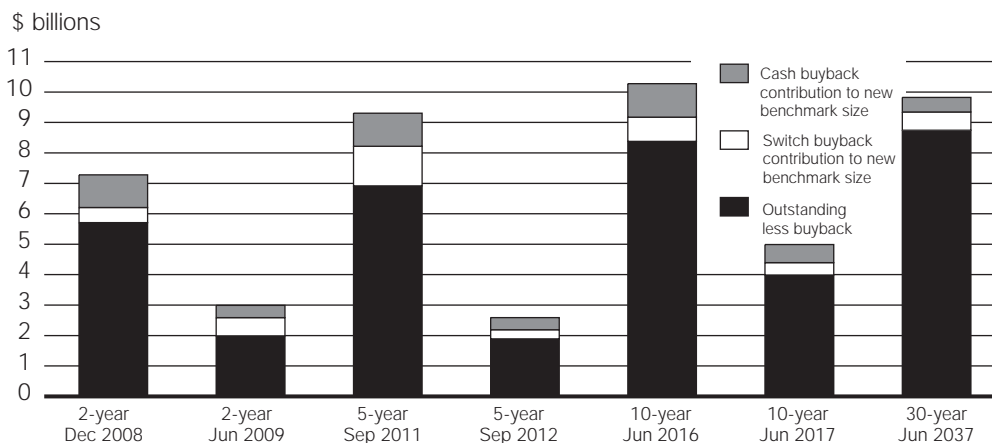
The objectives of the regular bond buyback program are to enhance liquidity and maintain active new issuance in the primary market for Government of Canada bonds. Regular bond buyback operations totalled \$9.8 billion in 2006–07, consisting of roughly \$2.4 billion in the 2-year sector, \$3.2 billion in the 5-year sector, \$3.1 billion in the 10-year sector and \$1.1 billion in the 30-year sector (see Reference Table XI for more information on buyback operations).

Buybacks on a cash basis totalled \$5.1 billion. Switch buyback operations in 2006–07 resulted in \$4.5 billion of additional bond issuance.

The amount of new bonds issued through buybacks on a switch basis does not necessarily equal the amount of old bonds bought back through those operations because the exchange is not based on par value but rather on a duration-neutral basis. Chart 11 shows the impact of regular bond buybacks on benchmark sizes in 2006–07.

Chart 11  
**Impact of Regular Buyback Program  
on Benchmark Sizes**

As of March 31, 2007



Source: Bank of Canada.

### *Treasury Bills and Cash Management Bills (CMBs)*

The stock of outstanding treasury bills and CMBs increased by \$2.5 billion during 2006–07 to \$134.1 billion at March 31, 2007, consistent with the orderly move to a lower fixed-rate share of debt. Over the fiscal year, \$315.0 billion in treasury bills and CMBs were auctioned, an increase of \$5.1 billion from the previous year (see Table 8). Throughout the year, \$68.0 billion in CMBs were issued for various short-term maturities. More frequent use of CMBs, as a cost-effective cash management tool, helped smooth fluctuations in cash balances over the year.

**Table 8**  
*Treasury Bill and CMB Program Issuance*

	2002–03	2003–04	2004–05	2005–06	2006–07
			(\$ billions)		
CMBs	23.8	28.5	25.0	58.9	68.0
3-month treasury bills	117.4	129.7	137.5	140.2	137.8
6-month treasury bills	47.8	51.9	54.5	55.4	54.6
12-month treasury bills	47.8	51.9	54.5	55.4	54.6
Total treasury bills	213.0	233.5	246.5	251.0	247.0
<b>Total including CMBs</b>	<b>236.8</b>	<b>262.4</b>	<b>271.5</b>	<b>309.9</b>	<b>315.0</b>

Source: Bank of Canada.

### *Retail Debt*

In October 2006, the Government celebrated the 60th anniversary of Canada Savings Bonds (CSBs). As in prior years, the Government sold CSBs and Canada Premium Bonds (CPBs) over a six-month period from October 2006 to April 2007. Sales were made through two channels: payroll deductions and cash purchases made through financial institutions or directly from the Government. The sales were supported by the CSB advertising campaign.

As part of the initiatives in Budget 2006 to achieve savings from programs and activities, in September 2006 the Government announced its intention to consolidate the administration of the retail debt program by winding up its special operating agency, Canada Investment and Savings (CI&S). The closure of CI&S was effective March 31, 2007, and the transfer of responsibilities back to the Bank of Canada and the Department of Finance took effect April 1, 2007. This consolidation is expected to produce future administrative cost savings of some \$5 million per year.

In 2006–07, total expenditures for the retail debt program were \$87.8 million, \$3.2 million below the detailed expenditure plan of \$91 million, and well under the budgetary cap of \$105 million. This represents the seventh consecutive year of expenditure reduction.



The level of outstanding debt held by domestic retail investors—CSBs and CPBs—decreased from \$17.3 billion to \$15.2 billion in 2006–07 (see Chart 12). Gross sales and redemptions were \$1.8 billion and \$4.1 billion, respectively, for a net reduction of \$2.3 billion in the stock of retail debt (see Table 9).

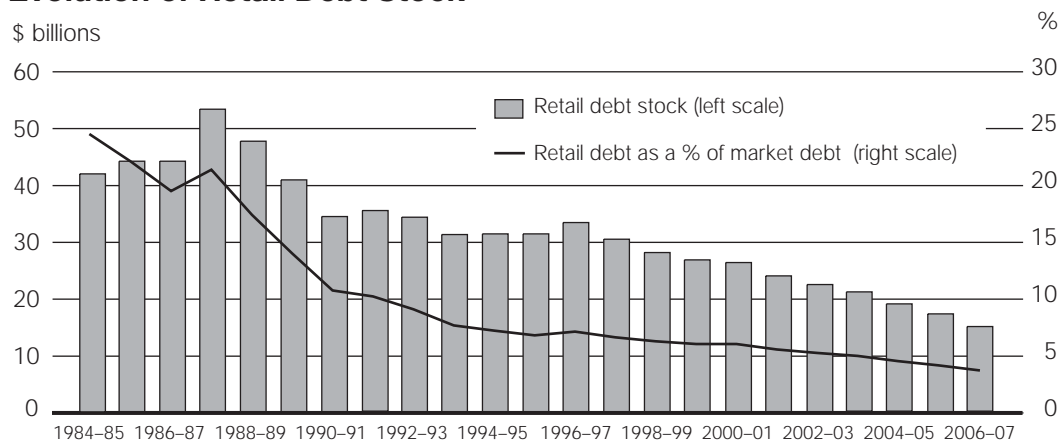
The decline of the retail debt stock is consistent with the trend in overall government debt and an environment of increased competition from private sector retail savings instruments. Further details about the retail debt can be found in Reference Table XII.

**Table 9**  
*Retail Debt Gross Sales and Redemptions, 2006–07*

	Gross Sales	Redemptions	Net Change
		(\$ billions)	
Payroll	1.5	1.4	0.1
Cash	0.3	2.7	-2.4
Total	1.8	4.1	-2.3

Source: Bank of Canada.

**Chart 12**  
**Evolution of Retail Debt Stock**



### ***Bill and Bond Auction Results Indicators***

Acting as the Government’s fiscal agent, the Bank of Canada sells Government of Canada marketable bonds and bills via auction to government securities distributors (GSDs) and customers. GSDs that maintain a certain threshold of activity in the primary and secondary market for Government of Canada securities may apply to become primary dealers and form part of the core group of distributors of Government of Canada securities. Information about the rules, terms, schedules and results of Government of Canada securities auctions is available on the Bank of Canada website at [www.bankofcanada.ca/en/markets/markets\\_auct.html](http://www.bankofcanada.ca/en/markets/markets_auct.html).



The two conventional measures of auction performance are the auction coverage and tail. These two measures, combined with the yield of the securities issued, describe the quality of an auction in terms of its competitiveness and its impact on the cost of borrowing.

The auction coverage is defined as the total amount of bids received divided by the auction amount. Higher statistics typically reflect strong demand and therefore should typically result in lower borrowing costs. The auction tail is the number of basis points between the highest yield accepted and the average yield. In this case, a small auction tail is preferable as it usually indicates strong demand and therefore lower borrowing costs.

Under the rules and terms covering government auctions, active dealers (primary dealers) are required to bid for 50 per cent of their auction limit at reasonable prices. Maximum coverage ratios from primary dealers (which represent about 90 per cent of winning bids) could reach about 2.8 for bond auctions and 2.5 for treasury bill and CMB auctions. Minimum coverage ratios, assuming that all primary dealers bid at their minimum bidding obligation, would be about 1.4 for bond auctions and 1.2 for treasury bill and CMB auctions.

In 2006–07, coverage for bond auctions was slightly higher than the 4-year average, while tails for most treasury bill and bond auctions were narrower than the 4-year average, indicating relatively more competitive bidding at auctions (see Table 10).

**Table 10**  
*Performance at Auctions*

	Coverage (Ratio)					Tail (Basis Points)				
	2003–2004	2004–2005	2005–2006	2006–2007	4-yr. avg.	2003–2004	2004–2005	2005–2006	2006–2007	4-yr. avg.
CMBs	1.95	2.43	2.68	2.52	2.47	1.44	1.69	1.22	1.89	1.57
Treasury bills										
3-month	2.15	2.14	2.18	2.21	2.17	0.48	0.47	0.40	0.44	0.45
6-month	2.21	2.11	2.12	2.24	2.17	0.46	0.53	0.56	0.60	0.54
12-month	2.10	1.96	2.05	2.23	2.09	0.69	0.63	0.61	0.51	0.61
Nominal bonds										
2-year	2.47	2.46	2.43	2.62	2.49	0.49	0.32	0.36	0.19	0.35
5-year	2.61	2.49	2.72	2.76	2.64	0.50	0.54	0.22	0.23	0.39
10-year	2.48	2.34	2.58	2.61	2.50	0.51	0.35	0.32	0.26	0.36
30-year	2.62	2.32	2.59	2.65	2.54	0.42	0.67	0.36	0.16	0.41
Real Return Bonds <sup>1</sup>	2.85	2.53	2.69	2.71	2.69	n.a.	n.a.	n.a.	n.a.	n.a.
Weighted average <sup>2</sup>	2.21	2.13	2.18	2.27	2.20	0.52	0.51	0.47	0.46	0.49

<sup>1</sup> Auction tails for Real Return Bonds (RRBs) are not relevant since RRBs are distributed through single-price auctions.

<sup>2</sup> Excludes CMBs.

Source: Bank of Canada.



### ***Participation at Auctions***

In 2006–07, primary dealers were allotted over 94 per cent of the auctioned short-term and nominal debt securities, while customers<sup>2</sup> were allotted between 2 and 5 per cent. The 10 most active participants won over 91 per cent of the auctioned nominal debt securities (see Table 11).

Primary dealers' share of the Real Return Bond (RRB) allotments was close to 75 per cent, with customers receiving close to the remaining 25 per cent of the allotments.

**Table 11**  
*Share of Amount Allotted to Participants by Type of Auction, 2006–07*

Participant Type	CMBs	Treasury Bills	Nominal Bonds	Real Return Bonds
		(%)		
Primary dealers	98.4	94.4	95.2	74.5
Other GSDs	0.0	0.5	1.3	1.0
Customers	1.6	5.1	3.5	24.5
Top 5 participants	72.4	70.6	65.4	55.2
Top 10 participants	98.4	94.4	91.2	77.6

Note: These numbers exclude securities bought by the Bank of Canada.

Source: Bank of Canada.

RRB auctions have more active customer participation than other types of auctions due to strong investor demand from institutions that hold them to maturity for asset-liability management purposes.

Note that the share of RRBs allotted to customers has declined from the 2005–06 level of 48 per cent to 25 per cent, in favour of primary dealers.

### **Secondary Market**

A continuing challenge for the Government's debt strategy in recent years has been to maintain sufficient issuance of Government of Canada bonds to support a liquid and efficient secondary market.

#### ***Trading Volume and Turnover Ratio***

The two conventional measures of liquidity and efficiency in the secondary market for Government of Canada securities are trading volume and turnover ratio.

Trading volume shows the amount of securities traded per period. Large trading volume typically allows participants to buy or sell in the marketplace without a substantial change in the price of the securities and in general implies lower bid-offer spreads. Turnover ratio, which is the ratio of securities traded relative to the amount of securities outstanding, is a measure of market depth and efficiency.

<sup>2</sup> A customer is a bidder on whose behalf a government securities distributor has been directed to submit a competitive or non-competitive bid for a specified amount of securities at a specific price.



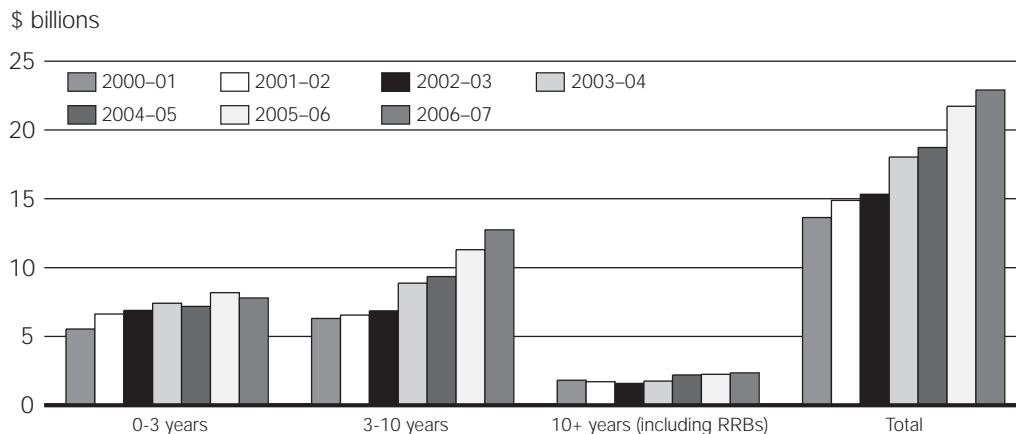


High turnover implies that a large amount of securities changes hands over a given period of time, a hallmark of a liquid and efficient securities market.

The volume of transactions in the Government of Canada bond market has grown significantly since 1990. Average daily bond trading volume hit a record \$22.7 billion in 2006–07, an increase of 5 per cent from 2005–06 and 68 per cent since 2000–01 (see Chart 13).

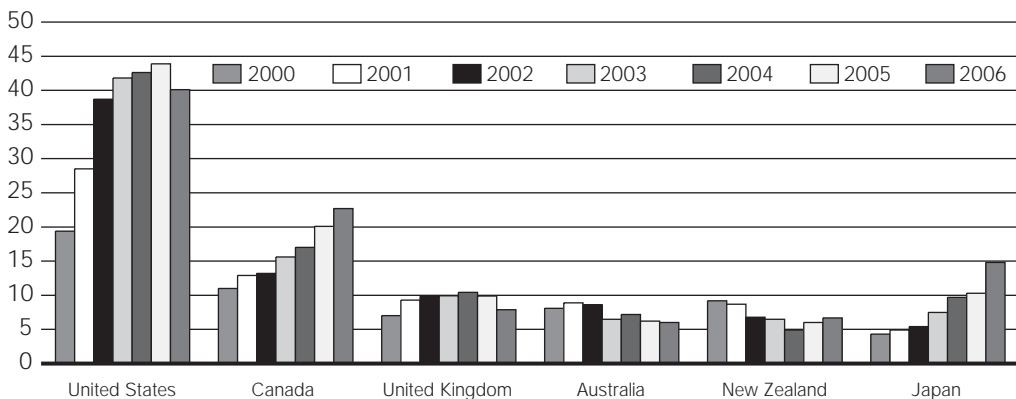
With an annual debt stock turnover ratio trending upward to 22.7 in 2006, the Government of Canada bond market compares favourably with other major sovereign bond markets, with the exception of the United States (see Chart 14).

Chart 13  
**Government of Canada Bond Average Daily Trading Volumes**



Source: Bank of Canada.

Chart 14  
**Sovereign Bond Turnover Ratios**



Note: Turnover ratio is total trading volume in each year/average stock.

Sources: The Bureau of the Public Debt of the US, Federal Reserve Bank of New York, Bank of Canada, United Kingdom Debt Management Office, London Stock Exchange, *Australian Financial Markets Report*, Reserve Bank of New Zealand, Japan Ministry of Finance, and Japan Securities Dealer Association.



### ***Repo Markets***

A repo, or repurchase agreement, is a transaction in which a party sells a security and simultaneously agrees to repurchase it at a given price at a given time in the future. These transactions provide short-term financing or support to dealer inventories and are equivalent to collateralized loans. They provide a barometer of the debt market's financing activity.

The presence of liquid repo markets for Government of Canada treasury bills and nominal bonds complements and adds efficiency to the domestic fixed-income securities market. The active interest rate futures contract, based on the 10-year Government of Canada bonds, contributes to efficient capital markets by providing additional important trading, pricing and hedging tools.

Both Government of Canada bond repos and treasury bill repos remained very active in 2006–07. The total trading volume for Government of Canada bond repos in 2006–07 was \$26.6 billion, up from \$21.2 billion in 2005–06. The treasury bill repo market volume in 2006–07 was \$2.6 billion compared to \$3.2 billion in 2005–06.

### ***Interest Rate Futures Market***

The futures contract based on the 10-year Government of Canada bond basket (or the CGB contract) continues to be actively traded, with trading volume jumping to 7.7 million contracts in calendar year 2006, a 64-per-cent increase from 2005.

The futures contract based on the 2-year Government of Canada bond (or the CGZ contract), originally launched in 2004 and modified in July 2006, had a trading volume of less than 0.1 million contracts in 2006.

### ***Secondary Trading by Market Participants***

Secondary market trading of Government of Canada securities is highly concentrated, with primary dealers accounting for over 91 per cent of trading activity.<sup>3</sup> The 10 most active participants in the federal securities secondary market represented over 94 per cent of trading activity (see Table 12).

**Table 12**

*Secondary Trading: Share by Type of Participant, 2006–07*

Participant Type	Treasury Bills	Bonds
	(%)	
Primary dealers	97.1	91.3
Other GSDs	2.9	8.7
Top 5 participants	82.7	65.8
Top 10 participants	98.5	94.2

Source: Bank of Canada.

<sup>3</sup> Primary dealers trade on behalf of their clients as well as for their own accounts.

## Cash Management

Receiver General (RG) cash balances, the Government of Canada’s Canadian-dollar balances, are invested in a prudent, cost-effective manner through auctions with private sector financial institutions. Since February 1999, when Canada’s electronic funds transfer system, the Large Value Transfer System, was implemented, RG cash balances have been allocated to bidders twice daily through an auction process administered by the Bank of Canada. These auctions serve two main purposes: first, as a treasury management tool, they are the means by which the Government invests its short-term Canadian-dollar cash balances; second, the auctions are used by the Bank of Canada in its monetary policy implementation to neutralize the impact of public sector flows on the financial system.

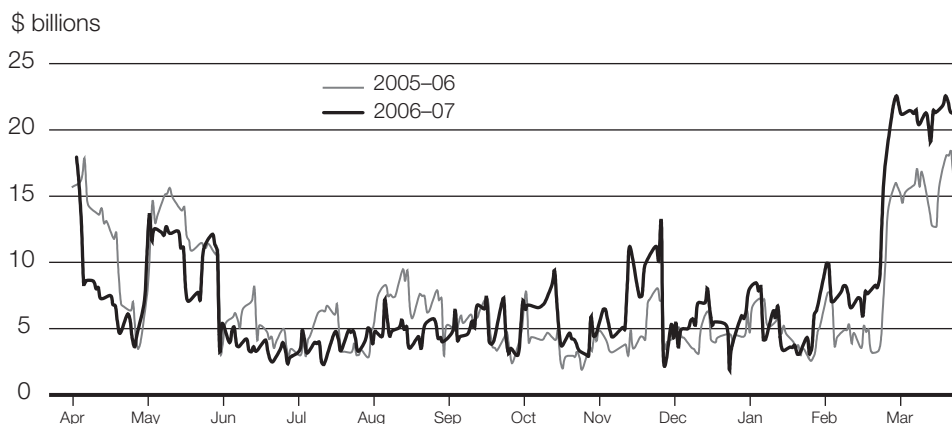
A portion of the morning auction has been offered on a collateralized basis since September 2002, permitting access to a wider group of potential participants, while ensuring that the Government’s credit exposure is effectively mitigated.

The Government’s treasury managers use a number of indicators to monitor the performance of cash management activities, including the average level of cash balances, the coverage and tail at RG auctions, the distribution of participants at RG auctions, the effectiveness of the cash management bond buyback program, the cost of carry and the profile of treasury bill operations.

### Total Receiver General Cash Balances

RG cash balances fluctuate widely over the year for a variety of reasons. In 2006–07, they reached a peak of \$22.5 billion and a low of \$1.8 billion (see Chart 15). Cash balances tend to be at their highest during the months of March, April, May and November in anticipation of the large flows related to fiscal year-end and to cover large bond coupon and principal outflows on June 1 and December 1.

Chart 15  
Total Receiver General Balances



Source: Bank of Canada.



## Average Daily Cash Balances

Average daily cash balances in 2006–07 were \$5.7 billion, a level comparable to 2005–06 (see Table 13). Since 2005–06, more frequent use of cash management bills as a cash management tool has meant that cash balances can be built up quickly prior to redemption and coupon payment dates, and therefore cash balances can be raised closer to the actual payment dates.

Collateral arrangements were introduced in 2002 to mitigate the credit risk tied to the deposit of cash balances with counterparties. Participants with approval for uncollateralized bidding limits maximize their uncollateralized lines prior to using their collateralized lines. Generally, at least 20 per cent of the balances are collateralized; however, in months of high balances, the proportion of collateralized balances can exceed 70 per cent (see Chart 16).

**Table 13**  
*Average Daily Receiver General Cash Balances Held at Financial Institutions*

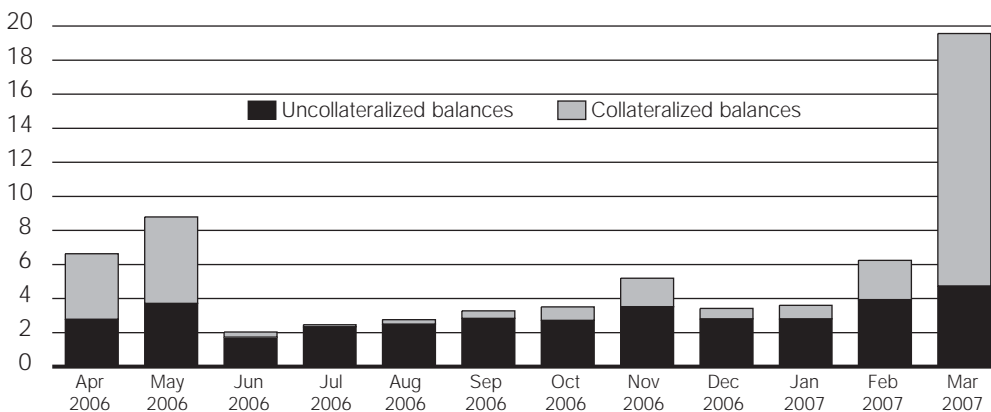
	2003–04	2004–05	2005–06	2006–07
	(\$ billions)			
Average daily cash balances	7.9	8.2	5.6	5.7

Source: Bank of Canada.

Chart 16

## Receiver General Auctions of Cash Balances Allocation Between Collateralized and Uncollateralized Tranches (Average of Daily Balances for Each Month)

\$ billions



Source: Bank of Canada.



## Coverage and Tails

In 2006–07, coverage for the morning RG auction was lower than in 2005–06 but was above the rolling four-year average (see Table 14). Coverage for the afternoon RG auction also declined from 2.33 to 2.17.

The lower coverage and wider tails for the afternoon auction reflect the reduced number of eligible participants. In addition, many participants have already completed their daily funding requirements by the afternoon auction.

**Table 14**  
*Performance at Receiver General Auctions*

	2003–04	2004–05	2005–06	2006–07	4-yr. avg.
Morning auctions					
Coverage (ratio)	3.38	4.16	4.18	3.96	3.92
Tail (basis points)	1.68	1.26	1.76	1.39	1.51
Afternoon auctions					
Coverage (ratio)	2.53	2.35	2.33	2.17	2.34
Tail (basis points)	3.09	2.96	3.49	2.79	3.09

Source: Bank of Canada.

## Participation

The top 10 participants in the Large Value Transfer System (LVTS) won about 81 per cent of RG auctions on average in 2006–07, while the non-LVTS participants won about 18 per cent of the amount allotted (see Table 15).

**Table 15**  
*Receiver General Auctions Share of Amount Allotted  
Between LVTS and Non-LVTS Participants*

Participant Type	2003–04	2004–05	2005–06	2006–07
			(%)	
Top 10 LVTS	76.0	74.3	79.9	81.2
Non-LVTS	23.8	24.3	17.8	17.6

Source: Bank of Canada.

## Receiver General Cash Management Evaluation

The Government received a series of recommendations following the review of the Receiver General cash management program (see the *Report on the Evaluation of the Receiver General Cash Management Program* available at [www.fin.gc.ca/efa/Report2006\\_e.html](http://www.fin.gc.ca/efa/Report2006_e.html)).



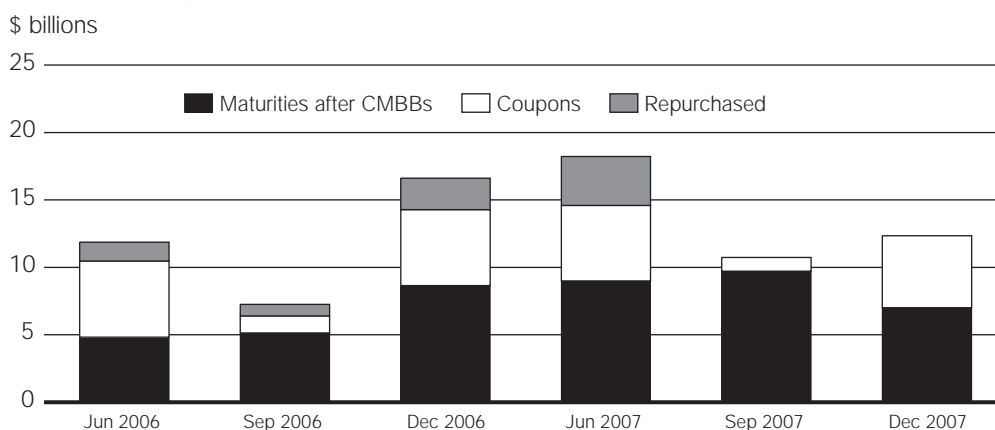
Analysis of the recommendations is underway, which included suggestions to encourage greater participation in the RG auctions, the potential benefits of alternative treasury management tools in enhancing the effectiveness of the management of the RG account, and the development and introduction of a 1-month treasury bill to smooth balances and reduce fluctuations in the size of consecutive bill auctions.

### Cash Management Bond Buyback Program

The cash management bond buyback (CMBB) program helps manage cash requirements by reducing the high levels of cash balances needed for key coupon and maturity payment dates. The program also helps smooth variations in treasury bill auction sizes over the year.

In 2006–07, the total amount of bonds repurchased through the CMBB program was \$8.2 billion, compared to \$8.7 billion in 2005–06. The CMBB program in 2005–06 and 2006–07 reduced the size of the 2006 June 1, September 1 and December 1 bond maturities by about 35 per cent, from a total of \$28.4 billion outstanding at the beginning of 2005–06 to \$18.6 billion outstanding after CMBB operations in 2006–07 (see Chart 17). The reduction in the outstanding size of these maturities through the CMBB program is in addition to the \$4.2-billion reduction achieved through the regular bond buyback program. Together, the CMBB and regular buyback operations reduced the total outstanding in the June, September and December 2006 maturities by 42 per cent.

Chart 17  
**Impact of CMBB Operations on Large Payments at March 31, 2007**



Note: June, September and December 2007 maturities continued to be part of the CMBB program in the 2007–08 fiscal year.

Source: Bank of Canada.



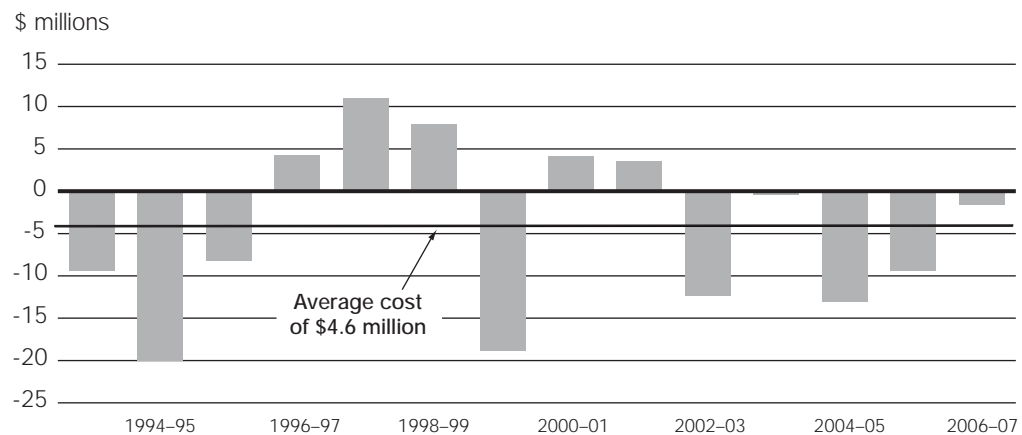
### Cost of Carry

A key measure for the cost to the Government of maintaining cash balances is the net return on these cash balances: the difference between the return on government balances auctioned to financial institutions (typically around the overnight rate) and the average yield paid on treasury bills. A normal upward sloping yield curve results in a positive cost of carry, as financial institutions pay rates of interest for government deposits based on an overnight rate that is lower than the rate paid by the Government to borrow funds. Conversely, under an inverted yield curve, short-term deposit rates are higher than the average of 3- to 12-month treasury bill rates, which can result in a net gain for the Government.

The net cost of carrying RG cash balances was \$1.6 million in 2006–07, compared to \$9.4 million in 2005–06 (see Chart 18). This improvement is attributable to favourable market conditions.

Chart 18

#### Cost (-) or Gain (+) of Carry for Cash Balances



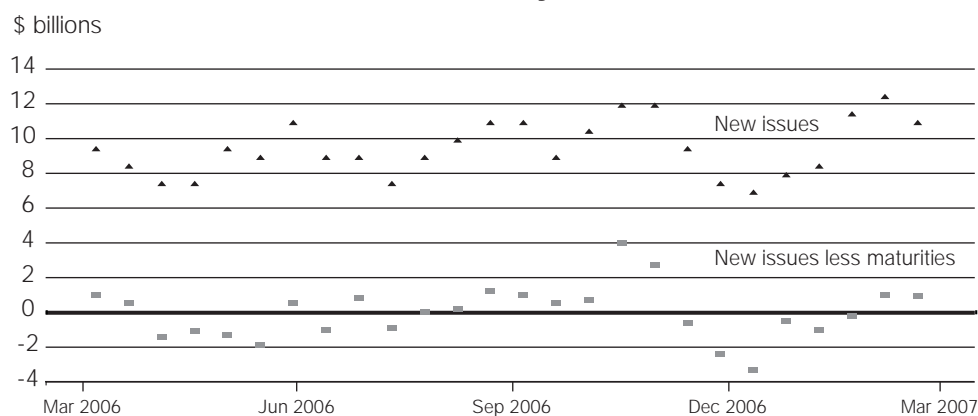
Source: Bank of Canada.

### Profile of Treasury Bill Operations

An indicator of cash management activities is the profile of treasury bill operations (amount issued per auction date less amount maturing per auction date). Smooth profiles provide increased certainty of supply for market participants and help reduce the cost associated with large operations. The profile of treasury bill operations continued to be smooth in 2006–07, with net new issuance ranging from -\$3 billion to +\$4 billion per operation, with a standard deviation of \$1.5 billion (see Chart 19 and Table 16).



Chart 19  
**Gross and Net Issuance at Treasury Bill Auctions**



Source: Bank of Canada.

**Table 16**  
*Profile of Net Size of Treasury Bill Issues*

	2002–03	2003–04	2004–05	2005–06	2006–07
			(\$ billions)		
Range	-4 to 4	-2 to +6	-2 to +4	-2 to +3	-3 to +4
Standard deviation of new issues less maturities	1.9	2.3	1.2	1.4	1.5

Source: Bank of Canada.

## Foreign Currency Debt Programs

Foreign currency debt is used to fund the foreign exchange reserves, which are held in the Exchange Fund Account. A variety of instruments are available to meet foreign currency funding requirements. In 2006–07, the sources of funding for reserves were Canada bills and domestic funds swapped into foreign currency using cross-currency swaps.

The *Report on the Management of Canada's Official International Reserves*, available at [www.fin.gc.ca/toce/2007/oir07\\_e.html](http://www.fin.gc.ca/toce/2007/oir07_e.html), provides information on the objectives, composition and performance of the reserves portfolio.

### Canada Bills

In 2006–07, the level of outstanding Canada bills decreased from \$4.7 billion (US\$4.0 billion) to \$1.8 billion (US\$1.6 billion). In 2006–07, Canada bills were issued, on average, at an all-in cost of US\$ LIBOR (London Inter-Bank Offered Rate) less 20 basis points, which was generally in line with the levels achieved in recent years.





### **Foreign Currency Bonds**

In 2006–07, no new foreign currency bonds were issued, while a total of \$1.2 billion (US\$1 billion) matured. The total decline in the stock of outstanding foreign currency bonds, including the exchange rate effect, was \$0.9 billion. The total outstanding was \$6.4 billion (US\$5.6 billion) at the end of 2006–07.

### **Canada Notes**

There were no new Canada note issues or maturities in 2006–07. The total outstanding was \$0.5 billion (US\$0.4 billion) at the end of 2006–07.

### **Euro Medium-Term Notes**

In 2006–07, no new Euro Medium-Term Notes were issued or matured. The total outstanding increased from \$1.5 billion (US\$1.3 billion) to \$1.6 billion (US\$1.4 billion).

### **Cross-Currency Swaps**

In 2006–07, \$5.8 billion (US\$5 billion) was raised to fund the foreign exchange reserves by entering into 51 cross-currency swaps at an average cost of US\$ LIBOR less 41 basis points, which was generally in line with the levels achieved in recent years. A total of \$2.3 billion (US\$2 billion) of swaps matured in 2006–07. At the end of the 2006–07 fiscal year, the outstanding amount of cross-currency swaps totalled \$30.6 billion (see Reference Table X). Taking into account the effect of cross-currency swaps, foreign currency obligations were 9.8 per cent of the Government's total market debt.

A collateral management framework is used to mitigate credit risk exposures to financial institution counterparties associated with cross-currency swap transactions. Under this framework, high quality collateral (e.g. government securities) is pledged by counterparties when the net market value of their contracts with the Government of Canada exceeds specified limits. Over the fiscal year, given the strength of the Canadian dollar, most of the swaps were “in the money,” meaning that the market value of the swaps had increased in favour of the Government.

### **Holdings of Government of Canada Debt**

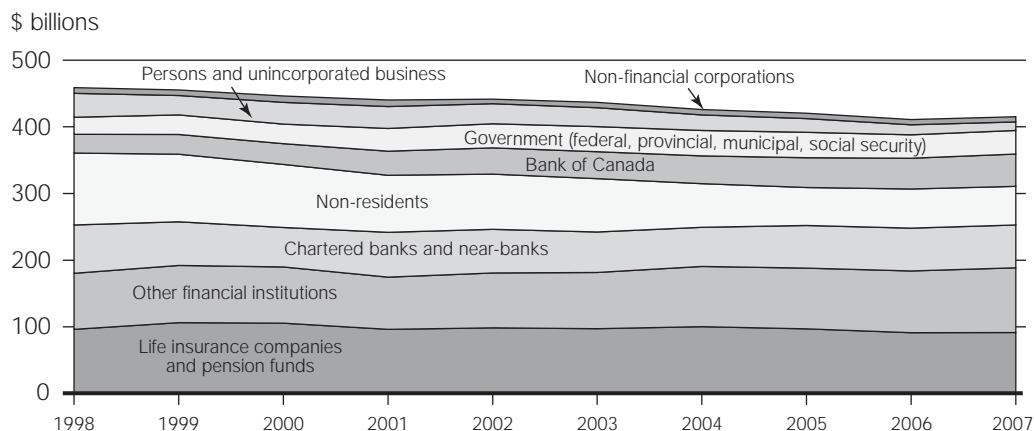
A diversified investor base ensures there is active demand for Government of Canada securities, thereby helping to keep funding costs low. Diversification of the investor base is pursued by maintaining a domestic wholesale debt program that is attractive to a wide range of investors, and offering a retail debt program that provides savings products to suit the needs of individual Canadians.



At March 31, 2007, based on Statistics Canada surveys, other financial institutions, which include investment dealers, mutual funds and property and casualty insurance companies, accounted for the largest share of holdings of Government of Canada marketable debt securities (23 per cent). The next largest share was held by life insurance companies and pension funds (22 per cent), followed by chartered banks and near-banks (15 per cent), and non-residents (14 per cent). Taken together, these four sectors held close to 75 per cent of outstanding Government of Canada securities (see Chart 20).

With a decline of 10 per cent, the share of Government of Canada marketable securities held by non-residents shows the most notable change between 1998 and 2007. Additional details on the distribution of Government of Canada marketable debt is available on the Statistics Canada website at [www.statcan.ca/english/nea-cen/index.htm](http://www.statcan.ca/english/nea-cen/index.htm).

Chart 20  
**Distribution of Holdings of Government of Canada Marketable Debt**



Note: Figures are as at December 31, except for figures for 2007, which are as at March 31.

Source: Statistics Canada, *National Balance Sheet Accounts*, which is based on data extracted from administrative files and derived from other Statistics Canada surveys.



## Annex 1: Completed Treasury Evaluation Reports, 1992–2007

Area	Year
Debt Management Objectives	1992
Debt Structure—Fixed/Floating Mix	1992
Internal Review Process	1992
External Review Process	1992
Benchmarks and Performance Measures	1994
Foreign Currency Borrowing—Canada Bills Program	1994
Developing Well-Functioning Bond and Bill Markets	1994
Liability Portfolio Performance Measurement	1994
Retail Debt Program	1994
Guidelines for Dealing With Auction Difficulties	1995
Foreign Currency Borrowing—Standby Line of Credit and FRN	1995
Treasury Bill Program Design	1995
Real Return Bond Program	1998
Foreign Currency Borrowing Programs	1998
Initiatives to Support a Well-Functioning Wholesale Market	2001
Debt Structure Target/Modelling	2001
Reserves Management Framework	2002
Bond Buybacks	2003
Funds Management Governance Framework <sup>1</sup>	2004
Retail Debt Program <sup>1</sup>	2004
Borrowing Framework of Major Federal Government-Backed Entities <sup>1</sup>	2005
Receiver General Cash Management Program <sup>1</sup>	2006
Exchange Fund Account Evaluation <sup>1</sup>	2006

<sup>1</sup> Available at [www.fin.gc.ca](http://www.fin.gc.ca).



## Annex 2: Glossary

**asset-liability management:** An investment decision-making framework that is used to concurrently manage a portfolio of assets and liabilities.

**benchmark bond:** Specific issue which is typically the most liquid bond within each range of maturities. It is considered by the market to be the standard against which all other bonds issued in that term area are evaluated.

**budgetary deficit:** The shortfall between government annual revenues and annual budgetary expenses.

**buyback on a cash basis:** The repurchase of bonds for cash. Used to maintain the size of bond auctions and new issuance.

**buyback on a switch basis:** The exchange of outstanding bonds for new bonds in the current building benchmark.

**Canada bill:** Promissory note denominated in US dollars, issued for terms of up to 270 days. Canada bills are issued for foreign exchange reserves funding purposes only.

**Canada Investment Bond:** A non-marketable fixed-term security instrument issued by the Government of Canada.

**Canada note:** Promissory note usually denominated in US dollars and available in book-entry form. Canada notes can be issued for terms of nine months or longer, and can be issued at a fixed or a floating rate. Canada notes are issued for foreign exchange reserves funding purposes only.

**Canada Premium Bond:** A non-marketable security instrument issued by the Government of Canada, which is redeemable once a year on the anniversary date or during the 30 days thereafter without penalty.

**Canada Savings Bond:** A non-marketable security instrument issued by the Government of Canada, which is redeemable on demand by the registered owner(s), and which, after the first three months, pays interest up to the end of the month prior to cashing.

**cross-currency swap:** An agreement that exchanges one type of obligation for another involving different currencies and the exchange of the principal amounts and interest payments.

**electronic trading system:** An electronic system that provides real-time information about securities and enables the user to execute financial trades.

**Exchange Fund Account (EFA):** The objective of the EFA is to aid in the control and protection of the external value of the Canadian dollar. Assets held in the EFA are managed to provide foreign currency liquidity to the Government and to promote orderly conditions for the Canadian dollar in the foreign exchange markets, if required.



**financial source/requirement:** Measures the difference between the cash inflows and outflows of the Government's Receiver General account. In the case of a financial requirement, it is the amount of new borrowing required from outside lenders to meet financing needs in any given year.

**foreign exchange reserves:** The foreign currency assets (e.g. interest-earning bonds) held to support the value of the domestic currency. Canada's foreign exchange reserves are held in the Exchange Fund Account.

**Government of Canada securities auction:** A process used for selling Government of Canada debt securities (mostly marketable bonds and treasury bills) in which issues are sold by public tender to government securities distributors and approved clients.

**government securities distributor (GSD):** An entity (i.e. an investment dealer or bank) that is authorized to bid at Government of Canada auctions and through which the Government distributes Government of Canada treasury bills and marketable bonds.

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

**Large Value Transfer System (LVTS):** An electronic funds transfer system introduced in February 1999 and operated by the Canadian Payments Association. It facilitates the electronic transfer of Canadian-dollar payments across the country virtually instantaneously.

**marketable bond:** An interest-bearing certificate of indebtedness issued by the Government of Canada, and having the following characteristics: bought and sold on the open market; payable in Canadian or foreign currency; having a fixed date of maturity; interest payable either in coupon or registered form; face value guaranteed at maturity.

**marketable debt:** Market debt that is issued by the Government of Canada and sold via public tender or syndication. These issues can be traded between investors while outstanding.

**money market:** The market in which short-term capital is raised, invested and traded using financial instruments such as treasury bills, bankers' acceptances, commercial paper, and bonds maturing in one year or less.

**non-market debt:** Consists of the Government's internal debt, which is, for the most part, federal public sector pension liabilities and the Government's current liabilities (such as accounts payable, accrued liabilities, interest payments and payments of matured debt).

**overnight rate; overnight financing rate; overnight money market rate; overnight lending rate:** An interest rate at which participants with a temporary surplus or shortage of funds are able to lend or borrow until the next business day. It is the shortest term to maturity in the money market.



**primary dealer (PD):** Member of the core group of government securities distributors that maintains a certain threshold of activity in the market for Government of Canada securities. The primary dealer classification can be attained in either treasury bills or marketable bonds, or both.

**primary market:** The market in which issues of securities are first offered to the public.

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

**secondary market:** A market where existing securities trade after they have been sold to the public in the primary market.

**sovereign market:** Market for the debt issued by a government.

**treasury bill:** Short-term obligation sold by public tender. Treasury bills, with terms to maturity of 3, 6 or 12 months, are currently auctioned on a bi-weekly basis.

**yield curve:** The conceptual or graphic representation of the term structure of interest rates. A “normal” yield curve is upward sloping, with short-term rates lower than long-term rates. An “inverted” yield curve is downward sloping, with short-term rates higher than long-term rates. A “flat” yield curve occurs when short-term rates are the same as long-term rates.



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**Reference Table I**  
Gross Public Debt, Outstanding Market Debt and Debt Charges

Fiscal year	Market debt	Market debt adjustment	Accounts payable and accrued liabilities			Pension and other liabilities	Gross debt	Financial assets	Net debt	Non-financial assets	Accumulated deficit	Gross public debt charges	Fixed-rate portion of interest-bearing debt <sup>1</sup> (%)
			+	+	+								
(\$ billions)													
1986–87	228.6	-0.4	42.1	84.7	355.0	73.2	281.8	24.2	257.7	28.7	50.9		
1987–88	250.8	-0.9	47.2	90.9	388.0	75.0	313.0	26.3	286.7	31.2	51.2		
1988–89	276.3	-2.2	50.2	97.1	421.4	77.9	343.6	29.0	314.6	35.5	49.6		
1989–90	294.6	-2.9	53.2	104.5	449.3	74.5	374.8	31.0	343.8	41.2	49.9		
1990–91	323.9	-3.2	54.9	112.1	487.7	76.6	411.1	33.4	377.7	45.0	50.4		
1991–92	351.9	-2.2	56.1	118.5	524.2	78.5	445.7	35.8	410.0	43.9	50.7		
1992–93	382.7	-3.0	58.4	125.1	563.2	76.0	487.2	38.2	449.0	41.3	50.4		
1993–94	414.0	-1.8	63.7	131.4	607.3	79.3	527.9	40.4	487.5	40.1	53.3		
1994–95	441.0	-3.4	71.3	139.8	648.7	81.2	567.5	43.3	524.2	44.2	55.1		
1995–96	469.5	-1.7	74.9	148.5	691.3	92.7	598.6	44.4	554.2	49.4	56.9		
1996–97	476.9	0.3	75.9	156.3	709.4	100.4	609.0	46.1	562.9	47.3	61.7		
1997–98	466.8	1.4	81.7	160.9	710.8	103.6	607.2	47.2	559.9	43.1	63.7		
1998–99	457.7	2.6	83.7	168.2	712.2	109.3	602.9	48.7	554.1	43.3	64.5		
1999–00	454.2	-0.2	83.9	175.8	713.6	123.5	590.1	50.2	539.9	43.4	66.5		
2000–01	444.9	1.3	88.5	179.0	713.6	141.9	571.7	51.7	520.0	43.9	67.8		
2001–02	440.9	0.9	83.2	177.9	703.0	137.7	565.3	53.4	511.9	39.7	67.4		
2002–03	438.6	-1.1	83.2	178.3	699.0	139.5	559.6	54.2	505.3	37.3	65.8		
2003–04	436.5	-2.5	85.2	180.9	700.1	149.1	551.0	54.8	496.2	35.8	63.8		
2004–05	431.8	-4.3	97.7	179.8	705.0	155.4	549.6	54.9	494.7	34.1	63.1		
2005–06	427.3	-6.1	101.4	179.9	702.5	165.6	536.9	55.4	481.5	33.7	62.5		
2006–07	418.8	-4.7	106.5	185.1	705.8	181.9	523.9	56.6	467.3	33.9	61.9		

<sup>1</sup> Calculation methodology may vary slightly from year to year. The definition of interest-bearing debt changed slightly in 2002–03 to reflect the adoption of the full accrual basis of accounting.



**Reference Table II**  
Government of Canada Outstanding Market Debt

Fiscal year	Payable in Canadian dollars					Payable in foreign currencies					Less: Government's own holdings	Total market debt	Average interest rate (%)	
	Treasury bills	Marketable bonds	Retail debt	CPP bonds	Total	Canada bills	Marketable bonds	Canada notes	Euro Medium-Term Notes	Term loans				Total
1986-87	77.0	94.4	44.3	1.8	217.5	1.0	8.9	0.0	0.0	2.0	12.0	-0.9	228.6	9.3
1987-88	81.1	103.9	53.3	2.5	240.8	1.0	7.9	0.0	0.0	2.3	11.2	-1.2	250.8	9.6
1988-89	102.7	115.7	47.8	3.0	269.2	1.1	6.3	0.0	0.0	0.9	8.3	-1.2	276.3	10.8
1989-90	118.6	127.7	40.9	3.1	290.2	1.4	4.3	0.0	0.0	0.0	5.7	-1.3	294.6	11.2
1990-91	139.2	143.6	34.4	3.5	320.7	1.0	3.6	0.0	0.0	0.0	4.6	-1.3	323.9	10.7
1991-92	152.3	158.1	35.6	3.5	349.5	0.0	3.4	0.0	0.0	0.0	3.4	-1.0	351.9	8.9
1992-93	162.1	178.5	34.4	3.5	378.4	2.6	2.8	0.0	0.0	0.0	5.4	-1.1	382.7	7.9
1993-94	166.0	203.4	31.3	3.5	404.3	5.6	5.0	0.0	0.0	0.0	10.7	-1.0	414.0	6.8
1994-95	164.5	225.7	31.4	3.5	425.1	9.0	7.9	0.0	0.0	0.0	16.9	-1.0	441.0	8.0
1995-96	166.1	252.8	31.4	3.5	453.8	7.0	9.5	0.3	0.0	0.0	16.8	-1.0	469.5	7.3
1996-97	135.4	282.6	33.5	3.5	454.9	8.4	12.5	2.1	0.0	0.0	23.0	-1.1	476.8	6.7
1997-98	112.3	294.6	30.5	3.5	440.8	9.4	14.6	1.7	1.5	0.0	27.1	-1.2	466.8	6.6
1998-99	97.0	295.8	28.2	4.1	425.0	10.2	19.7	1.3	4.9	0.0	36.0	-3.3	457.7	6.7
1999-00	99.9	294.4	26.9	3.6	424.7	6.0	21.4	1.1	4.1	0.0	32.6	-3.1	454.2	6.2
2000-01	88.7	295.5	26.4	3.5	414.1	7.2	21.2	1.6	3.7	0.0	33.7	-2.9	444.9	6.1
2001-02	94.2	294.9	24.0	3.4	416.5	3.4	19.8	1.2	3.2	0.0	27.6	-3.1	440.9	5.6
2002-03	104.6	289.2	22.6	3.4	419.8	2.6	14.5	1.2	3.3	0.0	21.6	-2.7	438.6	5.3
2003-04	113.4	279.0	21.3	3.4	417.1	3.4	13.2	1.3	3.0	0.0	20.9	-1.5	436.5	4.9
2004-05	127.2	266.7	19.1	3.4	416.3	3.9	9.9	1.1	1.7	0.0	16.6	-1.1	431.8	4.6
2005-06	131.6	261.9	17.3	3.1	413.9	4.7	7.6	0.5	1.5	0.0	14.3	-1.0	427.3	4.7
2006-07	134.1	257.9	15.2	1.7	408.9	1.8	6.7	0.5	1.6	0.0	10.6	-0.7	418.8	4.9

Source: Public Accounts of Canada.



**Reference Table III**  
Average Weekly Domestic Market Trading in Government of Canada Securities, April 2006 to March 2007

	Marketable bonds					Total marketable bonds	Total
	Treasury bills	3 years and under	3 to 10 years	Over 10 years	Real Return Bonds		
April 2006	21,358	38,635	68,967	12,299	308	120,209	141,567
May 2006	20,126	42,028	83,001	14,461	446	139,936	160,062
June 2006	24,524	45,727	84,647	10,485	365	141,224	165,748
July 2006	20,519	35,305	51,550	8,691	364	95,910	116,429
August 2006	19,022	30,258	56,873	5,809	326	93,266	112,288
September 2006	21,154	44,194	52,516	9,234	624	106,568	127,722
October 2006	21,969	36,020	51,069	9,703	409	97,201	119,170
November 2006	22,055	34,362	48,349	9,240	710	92,661	114,716
December 2006	25,228	35,731	60,333	11,453	523	108,040	133,268
January 2007	17,638	34,064	52,883	12,265	683	99,895	117,533
February 2007	21,523	34,421	57,695	14,385	634	107,135	128,658
March 2007	24,044	41,723	68,768	11,859	731	123,081	147,125

Source: Bank of Canada.



**Reference Table IV**  
Fiscal 2006-07 Treasury Bill Program

Settlement date	Maturing			New issues			Net increment			Average tender yields			
	CMB <sup>1</sup>	3 mo	6 mo	3 mo	6 mo	12 mo	Total	Cumulative	O/S <sup>2</sup>	CMB <sup>1</sup>	3 mo	6 mo	12 mo
April 3, 2006	2,700						0	-2,700	-2,700	128,900			
April 4, 2006	3,000						0	-3,000	-5,700	125,900			
April 5, 2006	3,900						0	-3,900	-9,600	122,000			
April 6, 2006	5,000	4,700	3,700	5,300	2,100	2,100	9,500	-3,900	-13,500	118,100	3.90	4.00	4.10
April 20, 2006		4,100	3,800	4,700	1,900	1,900	9,900	2,000	-11,500	120,100	3.80	3.97	4.18
April 26, 2006				1,000			1,000	1,000	-10,500	121,100	3.88		
May 1, 2006	1,000						0	-1,000	-11,500	120,100			
May 2, 2006	1,400						0	-1,400	-12,900	118,700			
May 4, 2006		4,100	4,700	4,100	1,700	1,700	7,500	-1,300	-14,200	117,400	4.10	4.16	4.26
May 18, 2006		4,100	4,400	4,100	1,700	1,700	9,000	500	-13,700	117,900	4.01	4.10	4.24
May 25, 2006				3,000			3,000	3,000	-10,700	120,900	4.17		
May 29, 2006				3,000			3,000	3,000	-7,700	123,900	4.20		
June 1, 2006		5,900	4,800	5,300	2,100	2,100	10,500	-200	-7,900	123,700	4.24	4.17	4.28
June 5, 2006	4,000						0	-4,000	-11,900	119,700			
June 13, 2006	1,500						0	-1,500	-13,400	118,200			
June 15, 2006		6,500	4,300	5,000	2,000	2,000	11,500	700	-12,700	118,900	4.12	4.21	4.41
June 16, 2006	3,000						0	-3,000	-15,700	115,900			
June 20, 2006				3,000			3,000	3,000	-12,700	118,900	4.21		
June 28, 2006				2,500			2,500	2,500	-10,200	121,400	4.25		
June 29, 2006		6,800	3,600	6,200	2,400	2,400	11,000	600	-9,600	122,000	4.30	4.44	4.55
July 4, 2006	3,000						0	-3,000	-12,600	119,000			
July 6, 2006	2,500						0	-2,500	-15,100	116,500			
July 7, 2006	2,500						0	-2,500	-17,600	114,000			
July 13, 2006		5,300	4,600	5,000	2,000	2,000	9,000	-900	-18,500	113,100	4.21	4.30	4.38
July 17, 2006				2,200			2,200	2,200	-16,300	115,300	4.09		
July 19, 2006				2,500			2,500	2,500	-13,800	117,800	4.22		
July 27, 2006		4,700	3,400	5,000	2,000	2,000	10,800	2,700	-11,100	120,500	4.24	4.16	4.34
Aug. 1, 2006	2,200						0	-2,200	-13,300	118,300			
Aug. 2, 2006	1,800						0	-1,800	-15,100	116,500			
Aug. 3, 2006	2,500						0	-2,500	-17,600	114,000			
Aug. 10, 2006		4,100	4,200	4,100	1,700	1,700	7,500	-800	-18,400	113,200	4.16	4.24	4.32
Aug. 18, 2006							1,000	1,000	-17,400	114,200	4.14		
Aug. 24, 2006		4,100	4,800	4,400	1,800	1,800	10,500	1,600	-15,800	115,800	4.14	4.13	4.27
Aug. 29, 2006				2,000			2,000	2,000	-13,800	117,800	4.16		
Sept. 5, 2006	1,000						0	-1,000	-14,800	116,800			
Sept. 7, 2006	2,500		4,300	5,600	2,200	2,200	10,000	-2,100	-16,900	114,700	4.14	4.18	4.19
Sept. 21, 2006		5,000	4,700	6,200	2,400	2,400	11,000	1,300	-15,600	116,000	4.17	4.16	4.17
Sept. 25, 2006				2,500			2,500	2,500	-13,100	118,500	4.20		



**Reference Table IV (cont'd)**  
Fiscal 2006–07 Treasury Bill Program

Settlement date	Maturing			New issues			Net increment			Average tender yields						
	CMB <sup>1</sup>	3 mo	6 mo	12 mo	Total	CMB <sup>1</sup>	3 mo	6 mo	12 mo	Total	Cumulative	O/S <sup>2</sup>	CMB <sup>1</sup>	3 mo	6 mo	12 mo
														(% )		
Sept. 27, 2006					0	2,500			2,500	2,500	-10,600	121,000	4.22			
Oct. 2, 2006	2,500				2,500				0	-2,500	-13,100	118,500				
Oct. 5, 2006	2,000	6,200		3,700	11,900		6,200	2,400	2,400	-900	-14,000	117,600		4.16	4.14	4.11
Oct. 19, 2006	2,500	5,000	3,600		11,100		5,000	2,000	2,000	-2,100	-16,100	115,500		4.16	4.18	4.17
Oct. 23, 2006					0	1,700			1,700	1,700	-14,400	117,200		4.18		
Oct. 27, 2006					0	2,500			2,500	2,500	-11,900	119,700		4.19		
Nov. 2, 2006	2,500	5,000	4,700		12,200		5,900	2,300	2,300	-1,700	-13,600	118,000		4.17	4.18	4.17
Nov. 3, 2006	1,700				1,700				0	-1,700	-15,300	116,300				
Nov. 16, 2006		4,100	3,800		7,900		6,800	2,600	2,600	4,100	-11,200	120,400		4.18	4.18	4.14
Nov. 23, 2006					0	2,500			2,500	2,500	-8,700	122,900		4.20		
Nov. 28, 2006					0	2,200			2,200	2,200	-6,500	125,100		4.25		
Nov. 30, 2006		4,400	4,800		9,200		6,800	2,600	2,600	2,800	-3,700	127,900		4.18	4.17	4.10
Dec. 1, 2006					0	500			500	500	-3,200	128,400		4.23		
Dec. 4, 2006	500				500				0	-500	-3,700	127,900				
Dec. 5, 2006	2,500				2,500				0	-2,500	-6,200	125,400				
Dec. 7, 2006	2,200				2,200				0	-2,200	-8,400	123,200				
Dec. 8, 2006					0	1,500			1,500	1,500	-6,900	124,700		4.22		
Dec. 14, 2006		5,600	4,400		10,000		5,300	2,100	2,100	-500	-7,400	124,200		4.18	4.18	4.11
Dec. 20, 2006					0	2,800			2,800	2,800	-4,600	127,000		4.22		
Dec. 28, 2006		6,200	3,600		9,800		4,100	1,700	1,700	-2,300	-6,900	124,700				
Jan. 3, 2007	2,800				2,800				0	-2,800	-9,700	121,900		4.16	4.17	4.15
Jan. 4, 2007	1,500				1,500				0	-1,500	-11,200	120,400				
Jan. 11, 2007		6,200	4,000		10,200		3,800	1,600	1,600	-3,200	-14,400	117,200		4.17	4.18	4.18
Jan. 22, 2007					0	1,000			1,000	1,000	-13,400	118,200		4.22		
Jan. 25, 2007		5,000	3,400		8,400		4,400	1,800	1,800	-400	-13,800	117,800		4.16	4.18	4.19
Jan. 29, 2007					0	1,200			1,200	1,200	-12,600	119,000		4.22		
Feb. 1, 2007	1,200				1,200				0	-1,200	-13,800	117,800				
Feb. 2, 2007	1,000				1,000				0	-1,000	-14,800	116,800				
Feb. 8, 2007		5,900	3,500		9,400		4,700	1,900	1,900	-900	-15,700	115,900		4.17	4.20	4.23
Feb. 20, 2007					0	2,800			2,800	2,800	-12,900	118,700		4.21		
Feb. 22, 2007		6,800	4,800		11,600		6,500	2,500	2,500	2,700	-10,200	121,400		4.24	4.21	4.23
Feb. 26, 2007					0	2,600			2,600	2,600	-7,600	124,000		4.24		
March 8, 2007		6,800	4,600		11,400		7,100	2,700	2,700	1,100	-6,500	125,100		4.19	4.18	4.13
March 20, 2007					0	2,000			2,000	2,000	-4,500	127,100		4.19		
March 22, 2007		5,300	4,700		10,000		6,200	2,400	2,400	3,000	-1,500	130,100		4.22	4.17	4.17
March 28, 2007					0	2,600			2,600	2,600	1,100	132,700		4.25		
March 30, 2007					0	1,400			1,400	1,400	2,500	134,100		4.27		
<b>Total</b>	<b>66,400</b>	<b>137,200</b>	<b>53,600</b>	<b>55,300</b>	<b>312,500</b>	<b>68,000</b>	<b>137,800</b>	<b>54,600</b>	<b>54,600</b>	<b>2,500</b>	<b>2,500</b>	<b>315,000</b>				

<sup>1</sup> Cash management bill.

<sup>2</sup> Outstanding.

Source: Bank of Canada.



**Reference Table V**  
Fiscal 2006–07 Treasury Bill Auction Results

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
April 4, 2006	12	2,100	96.215	4.103	2.297	0.4	July 11, 2006	3	5,000	98.883	4.208	2.336	0.9
April 4, 2006	3	5,300	98.965	3.896	2.630	0.3	July 11, 2006	6	2,000	97.902	4.297	2.353	0.4
April 4, 2006	6	2,100	98.193	3.999	2.695	0.3	July 14, 2006	NF	2,200	99.832	4.088	2.904	5.2
April 18, 2006	12	1,900	95.995	4.184	2.647	0.2	July 18, 2006	NF	2,500	99.827	4.216	2.705	1.4
April 18, 2006	3	4,700	98.944	3.974	2.401	0.4	July 25, 2006	12	2,000	96.006	4.339	2.139	0.5
April 18, 2006	6	1,900	98.006	4.080	2.567	0.4	July 25, 2006	3	5,000	98.896	4.157	2.165	0.7
April 20, 2006	NF <sup>1</sup>	1,400	99.875	3.796	3.248	1.1	July 25, 2006	6	2,000	98.084	4.244	2.056	0.7
April 25, 2006	NF	1,000	99.947	3.880	3.863	3.0	July 27, 2006	NF	1,800	99.930	4.245	2.563	0.8
May 2, 2006	12	1,700	96.077	4.258	2.441	0.7	Aug. 8, 2006	12	1,700	95.874	4.315	2.219	0.9
May 2, 2006	3	4,100	98.910	4.105	2.572	0.2	Aug. 8, 2006	3	4,100	98.895	4.161	2.203	0.3
May 2, 2006	6	1,700	98.123	4.156	2.485	0.4	Aug. 8, 2006	6	1,700	97.929	4.242	2.256	1.3
May 16, 2006	12	1,700	95.945	4.238	2.500	0.5	Aug. 17, 2006	NF	1,000	99.796	4.141	3.402	1.9
May 16, 2006	3	4,100	98.912	4.098	2.501	0.6	Aug. 22, 2006	12	1,800	96.066	4.271	2.403	0.5
May 16, 2006	6	1,700	97.976	4.143	2.368	0.6	Aug. 22, 2006	3	4,400	98.904	4.129	2.297	0.3
May 17, 2006	NF	1,500	99.715	4.012	3.042	1.6	Aug. 22, 2006	6	1,800	98.104	4.200	2.356	1.2
May 25, 2006	NF	3,000	99.874	4.174	2.104	1.6	Aug. 24, 2006	CMB <sup>2</sup>	2,500	99.841	4.143	1.450	2.7
May 29, 2006	NF	3,000	99.793	4.198	1.913	1.7	Aug. 28, 2006	CMB	2,000	99.580	4.162	2.057	1.8
May 30, 2006	12	2,100	96.059	4.278	2.189	0.6	Sept. 5, 2006	12	2,200	95.990	4.189	2.488	0.4
May 30, 2006	3	5,300	98.891	4.175	2.450	0.2	Sept. 5, 2006	3	5,600	98.900	4.142	2.177	0.5
May 30, 2006	6	2,100	98.102	4.203	2.160	1.0	Sept. 5, 2006	6	2,200	97.958	4.180	2.107	0.5
June 1, 2006	NF	1,000	99.954	4.240	2.313	1.0	Sept. 19, 2006	12	2,400	96.153	4.172	2.225	0.6
June 13, 2006	12	2,000	95.788	4.409	2.228	0.6	Sept. 19, 2006	3	6,200	98.894	4.165	2.047	0.6
June 13, 2006	3	5,000	98.882	4.212	2.254	0.5	Sept. 19, 2006	6	2,400	98.120	4.163	2.103	0.8
June 13, 2006	6	2,000	97.897	4.309	2.251	0.8	Sept. 25, 2006	NF	2,500	99.920	4.200	2.775	3.0
June 15, 2006	NF	2,500	99.752	4.117	2.392	2.1	Sept. 27, 2006	CMB	2,500	99.746	4.223	2.069	1.1
June 19, 2006	NF	3,000	99.839	4.205	1.138	4.4	Oct. 3, 2006	12	2,400	96.060	4.113	2.221	0.4
June 27, 2006	12	2,400	95.817	4.553	2.053	1.0	Oct. 3, 2006	3	6,200	98.896	4.158	2.059	0.5
June 27, 2006	3	6,200	98.859	4.300	2.040	0.6	Oct. 3, 2006	6	2,400	97.979	4.137	2.114	0.8
June 27, 2006	6	2,400	97.997	4.441	2.353	0.5	Oct. 17, 2006	12	2,000	96.152	4.173	2.132	0.4
June 28, 2006	NF	2,500	99.907	4.248	2.647	1.2	Oct. 17, 2006	3	5,000	98.896	4.156	2.015	0.4
July 11, 2006	12	2,000	95.814	4.381	2.004	0.4	Oct. 17, 2006	6	2,000	98.113	4.179	2.111	0.5



**Reference Table V (cont'd)**  
Fiscal 2006–07 Treasury Bill Auction Results

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
Oct. 23, 2006	NF	1,700	99.874	4.179	4.531	2.1	Jan. 22, 2007	NF	1,000	99.873	4.215	3.468	1.5
Oct. 27, 2006	CMB	2,500	99.931	4.193	2.051	1.7	Jan. 23, 2007	12	1,800	95.989	4.190	2.038	0.5
Oct. 31, 2006	12	2,300	96.006	4.172	2.175	0.2	Jan. 23, 2007	3	4,400	98.896	4.156	1.992	0.4
Oct. 31, 2006	3	5,900	98.893	4.169	2.000	0.4	Jan. 23, 2007	6	1,800	97.957	4.182	2.206	0.6
Oct. 31, 2006	6	2,300	97.957	4.183	2.107	0.7	Jan. 29, 2007	NF	1,200	99.965	4.218	2.625	2.6
Nov. 14, 2006	12	2,600	96.179	4.143	2.109	0.7	Feb. 6, 2007	12	1,900	96.101	4.231	2.185	0.3
Nov. 14, 2006	3	6,800	98.890	4.179	2.237	0.4	Feb. 6, 2007	3	4,700	98.893	4.169	2.291	0.3
Nov. 14, 2006	6	2,600	98.113	4.179	2.055	0.5	Feb. 6, 2007	6	1,900	98.102	4.203	2.273	0.3
Nov. 23, 2006	NF	2,500	99.862	4.203	3.050	1.7	Feb. 19, 2007	CMB	2,800	99.495	4.211	1.948	1.9
Nov. 27, 2006	NF	2,200	99.895	4.252	2.975	0.8	Feb. 20, 2007	12	2,500	95.950	4.233	2.072	0.5
Nov. 28, 2006	12	2,600	96.067	4.105	2.153	0.5	Feb. 20, 2007	3	6,500	98.889	4.184	1.926	0.6
Nov. 28, 2006	3	6,800	98.891	4.177	2.149	0.4	Feb. 20, 2007	6	2,500	97.942	4.213	2.149	0.2
Nov. 28, 2006	6	2,600	97.965	4.167	2.244	0.7	Feb. 22, 2007	CMB	2,800	99.515	4.235	2.183	1.0
Dec. 1, 2006	NF	500	99.965	4.234	2.300	3.2	Feb. 26, 2007	NF	2,600	99.595	4.239	3.033	1.1
Dec. 8, 2006	NF	1,500	99.689	4.220	3.369	2.7	March 6, 2007	12	2,700	96.192	4.128	2.232	0.7
Dec. 12, 2006	12	2,100	96.210	4.108	2.443	0.2	March 6, 2007	3	7,100	98.888	4.189	2.143	0.5
Dec. 12, 2006	3	5,300	98.891	4.177	2.244	0.3	March 6, 2007	6	2,700	98.113	4.178	1.937	0.7
Dec. 12, 2006	6	2,100	98.112	4.181	2.322	0.4	March 19, 2007	NF	2,000	99.840	4.188	3.579	1.2
Dec. 20, 2006	NF	2,800	99.838	4.223	2.813	2.2	March 20, 2007	12	2,400	96.007	4.170	1.969	0.6
Dec. 27, 2006	12	1,700	96.029	4.147	2.343	0.3	March 20, 2007	3	6,200	98.892	4.173	2.239	0.4
Dec. 27, 2006	3	4,100	98.895	4.161	2.149	0.4	March 20, 2007	6	2,400	97.951	4.195	2.210	0.5
Dec. 27, 2006	6	1,700	97.962	4.172	2.351	0.3	March 22, 2007	NF	2,000	99.861	4.222	3.212	0.8
Jan. 9, 2007	12	1,600	96.150	4.176	2.521	0.3	March 28, 2007	NF	2,600	99.919	4.247	1.572	1.3
Jan. 9, 2007	3	3,800	98.894	4.167	2.241	0.1	March 30, 2007	NF	1,400	99.942	4.268	1.790	1.2
Jan. 9, 2007	6	1,600	98.112	4.180	2.426	0.5	<b>Total</b>		<b>315,000</b>				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield.

<sup>1</sup> Non-fungible cash management bill.

<sup>2</sup> Cash management bill.

Source: Bank of Canada.



**Reference Table VI**  
Issuance of Government of Canada Domestic Bonds

Fiscal year	Gross issuance						RRB	Total	Buybacks			Net issuance	
	Nominal <sup>1</sup>								30-year	Cash	Switch		Total
	2-year	3-year	5-year	10-year	30-year	Total							
1995-96	11.1	5.1	17.0	10.5	5.0	48.7	1.0	49.7				49.7	
1996-97	12.0	11.1	13.3	11.8	5.8	54.0	1.7	55.7				55.7	
1997-98	14.0		9.9	9.3	5.0	38.2	1.7	39.9				39.9	
1998-99	14.0		9.8	9.2	3.3	36.3	1.6	37.9				37.9	
1999-00	14.2		14.0	12.9	3.7	44.8	1.3	46.0	-2.7	0.0	-2.7	43.3	
2000-01	14.1		10.5	10.1	3.8	38.5	1.4	39.9	-2.8	0.0	-2.8	37.1	
2001-02	14.0		10.0	9.9	6.3	40.2	1.4	41.6	-5.3	-0.4	-5.6	35.9	
2002-03	13.9		11.0	12.6	4.8	42.3	1.4	43.7	-7.1	-5.0	-12.1	31.6	
2003-04	13.0		10.7	11.5	4.2	39.4	1.4	40.8	-5.2	-5.0	-10.2	30.7	
2004-05	12.0		9.6	10.6	3.3	35.5	1.4	36.9	-6.8	-4.7	-11.4	25.5	
2005-06	10.0		9.2	10.0	3.2	32.4	1.5	33.9	-5.3	-3.3	-8.6	25.3	
2006-07	10.3		7.8	10.4	3.3	31.8	1.6	33.4	-5.1	-4.7	-9.8	23.6	

<sup>1</sup> Including nominal issuance through switch buyback operations.





## Reference Table VII

## Fiscal 2006–07 Domestic Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase (\$ millions)	Net
<b>Fixed-coupon bonds</b>						
<b>2006</b>						
April 19, 2006	April 24, 2006	June 1, 2016		2,300	600	1,700
April 26, 2006	May 1, 2006	June 1, 2037		300	320	-20
May 17, 2006	May 23, 2006	September 1, 2011		2,100	600	1,500
	June 1, 2006	*	4,833			-4,833
June 7, 2006	June 12, 2006	June 1, 2016		400	457	-57
June 14, 2006	June 16, 2006	December 1, 2008		3,400	600	2,800
June 21, 2006	June 27, 2006	September 1, 2011		500	537	-37
July 6, 2006	July 10, 2006	December 1, 2008		500	546	-46
July 19, 2006	July 24, 2006	June 1, 2037		1,300	180	1,120
July 26, 2006	July 31, 2006	September 1, 2011		500	563	-63
August 2, 2006	August 8, 2006	June 1, 2016		2,300	500	1,800
August 16, 2006	August 21, 2006	September 1, 2011		2,100	490	1,610
August 30, 2006	September 1, 2006	December 1, 2008		3,400	475	2,925
	September 1, 2006	*	5,144			-5,144
September 14, 2006	September 19, 2006	June 1, 2016		400	504	-104
	October 2, 2006	*	768			-768
October 11, 2006	October 16, 2006	June 1, 2017		2,300	300	2,000
October 26, 2006	October 31, 2006	June 1, 2037		300	323	-23
November 1, 2006	November 6, 2006	June 1, 2012		2,000	400	1,600
November 15, 2006	November 17, 2006	June 1, 2009		2,400	400	2,000
November 22, 2006	November 27, 2006	June 1, 2017		244	240	4
	December 1, 2006	*	8,652			-8,652
December 6, 2006	December 11, 2006	June 1, 2012		300	342	-42
December 14, 2006	December 18, 2006	June 1, 2009		300	163	137
January 10, 2007	January 15, 2007	June 1, 2037		1,400	300	1,100
January 24, 2007	January 29, 2007	June 1, 2017		2,300	300	2,000
February 14, 2007	February 19, 2007	June 1, 2012		300	347	-47
	March 1, 2007	*	193			-193
March 7, 2007	March 9, 2007	June 1, 2009		300	246	54
March 14, 2007	March 19, 2007	June 1, 2017		163	162	1



**Reference Table VII (cont'd)**  
**Fiscal 2006–07 Domestic Bond Program**

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
(\$ millions)						
<b>Real Return</b>						
May 31, 2006	June 5, 2006	December 1, 2036		450		450
September 27, 2006	October 2, 2006	December 1, 2036		300		300
November 29, 2006	December 4, 2006	December 1, 2036		450		450
February 28, 2007	March 5, 2007	December 1, 2036		400		400
<b>Totals for fiscal year</b>			<b>19,590</b>	<b>33,407</b>	<b>9,895</b>	<b>3,922</b>

\* Maturing date.

Source: Bank of Canada.



**Reference Table VIII**  
Fiscal 2006–07 Domestic Bond Auction Results

Auction date	Term (years)	Maturity date	Coupon rate (%)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Auction coverage	Tail (basis points)
April 19, 2006	10	June 1, 2016	4.00	2,300	96.130	4.480	2.64	0.4
May 17, 2006	5	September 1, 2011	3.75	2,100	97.318	4.323	2.68	0.3
May 31, 2006	30	December 1, 2036	3.00*	450	127.138	1.834	2.33	
June 14, 2006	2	December 1, 2008	4.25	3,400	99.985	4.257	2.68	0.2
July 19, 2006	30	June 1, 2037	5.00	1,300	108.361	4.496	2.74	0.2
August 2, 2006	10	June 1, 2016	4.00	2,300	97.254	4.346	2.65	0.3
August 16, 2006	5	September 1, 2011	3.75	2,100	98.062	4.181	2.83	0.2
August 30, 2006	2	December 1, 2008	4.25	3,400	100.471	4.027	2.61	0.2
September 27, 2006	30	December 1, 2036	3.00*	300	130.911	1.688	3.30	
October 11, 2006	10	June 1, 2017	4.00	2,300	98.734	4.149	2.55	0.2
November 1, 2006	5	June 1, 2012	3.75	2,000	99.208	3.910	2.78	0.2
November 15, 2006	2	June 1, 2009	3.75	2,400	99.535	3.945	2.56	0.1
November 29, 2006	30	December 1, 2036	3.00*	450	132.116	1.640	2.37	
January 10, 2007	30	June 1, 2037	5.00	1,400	115.549	4.100	2.56	0.2
January 24, 2007	10	June 1, 2017	4.00	2,300	98.431	4.188	2.62	0.1
February 28, 2007	30	December 1, 2036	3.00*	400	129.456	1.729	3.07	
<b>Total</b>				<b>28,900</b>				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield. Does not include nominal issuance resulting from switch buyback operations.

\* Real Return Bonds.

Source: Bank of Canada.



**Reference Table IX**  
Outstanding Government of Canada Domestic Bonds as at March 31, 2007

Maturity date	Amount (\$ millions)	Coupon rate (%)	Inflation adjustment (\$ millions)	Outstanding amount (\$ millions)
<b>Fixed-coupon bonds</b>				
June 1, 2007	2,642	3.00		
June 1, 2007	6,357	7.25		
September 1, 2007	9,725	4.50		
October 1, 2007	418	13.00		
December 1, 2007	7,007	2.75		
March 1, 2008	579	12.75		
June 1, 2008	3,000	3.75		
June 1, 2008	5,010	6.00		
June 1, 2008	3,037	10.00		
September 1, 2008	10,143	4.25		
October 1, 2008	396	11.75		
December 1, 2008	7,300	4.25		
March 1, 2009	140	11.50		
June 1, 2009	3,000	3.75		
June 1, 2009	6,175	5.50		
June 1, 2009	638	11.00		
September 1, 2009	9,755	4.25		
October 1, 2009	230	10.75		
March 1, 2010	83	9.75		
June 1, 2010	5,494	5.50		
June 1, 2010	2,225	9.50		
September 1, 2010	9,459	4.00		
October 1, 2010	120	8.75		
March 1, 2011	583	9.00		
June 1, 2011	10,633	6.00		
June 1, 2011	608	8.50		
September 1, 2011	9,328	3.75		
June 1, 2012	2,600	3.75		
June 1, 2012	10,357	5.25		
June 1, 2013	9,122	5.25		



**Reference Table IX (cont'd)**  
Outstanding Government of Canada Domestic Bonds as at March 31, 2007

Maturity date	Amount (\$ millions)	Coupon rate (%)	Inflation adjustment (\$ millions)	Outstanding amount (\$ millions)
March 15, 2014	767	10.25		
June 1, 2014	9,839	5.00		
June 1, 2015	10,300	4.50		
June 1, 2015	483	11.25		
June 1, 2016	10,300	4.00		
June 1, 2017	5,007	4.00		
March 15, 2021	724	10.50		
June 1, 2021	447	9.75		
June 1, 2022	470	9.25		
June 1, 2023	6,558	8.00		
June 1, 2025	5,702	9.00		
June 1, 2027	7,946	8.00		
June 1, 2029	13,409	5.75		
June 1, 2033	13,410	5.75		
June 1, 2037	9,849	5.00		
<b>Total</b>	<b>231,375</b>			
<b>Real Return</b>				
December 1, 2021	5,175	4.25	1,645	6,820
December 1, 2026	5,250	4.25	1,295	6,545
December 1, 2031	5,800	4.00	1,149	6,949
December 1, 2036	5,850	3.00	369	6,219
<b>Total</b>	<b>22,075</b>		<b>4,458</b>	<b>26,533</b>

Note: Outstanding bond amounts reported in this table are in accordance with Bank of Canada reports, which may vary slightly from Government of Canada amounts due to differences in classification methods.

Source: Bank of Canada.



**Reference Table X**

Government of Canada Cross-Currency Swaps Outstanding as at March 31, 2007

Maturity date	Swaps of domestic obligations			JPY (CAD\$ millions)	Swaps of foreign obligations		Total
	USD	EUR			USD		
June 1, 2007	1,039	386				1,425	
October 1, 2007		270				270	
October 3, 2007					368		
January 31, 2008					51	51	
March 1, 2008	722	193				914	
June 1, 2008	924	308				1,232	
September 30, 2008	58					58	
October 1, 2008	219	386				605	
March 1, 2009	618	193				811	
June 1, 2009	583	810				1,393	
October 1, 2009	450	1,311				1,761	
March 1, 2010		424				424	
June 1, 2010	58	1,342	78			1,478	
October 1, 2010	58	833				891	
March 1, 2011	375					375	
June 1, 2011	866					1,668	
September 1, 2011		802				594	
June 1, 2012	1,703	594				2,976	
June 1, 2013	1,299	1,273				2,976	
March 15, 2014	953	1,087				2,386	
June 1, 2014	1,818	1,566				953	
June 1, 2015	2,511	918				3,384	
June 1, 2016	520	1,820				3,429	
June 1, 2017	693	154				2,340	
<b>Total</b>	<b>15,466</b>	<b>14,669</b>	<b>78</b>		<b>419</b>	<b>30,631</b>	

Notes: Foreign currency swaps converted to Canadian dollars as of March 31, 2007. Numbers may not add due to rounding.



Reference Table XI  
Fiscal 2006–07 Bond Buyback Program Operations

Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)	Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)
<b>Buyback on cash basis</b>							
<b>April 19, 2006</b>	June 1, 2013	5.25	540	<b>October 11, 2006</b>	June 1, 2013	5.25	75
	March 15, 2014	10.25	28		March 15, 2014	10.25	19
	March 15, 2021	10.50	3		June 1, 2014	5.00	85
	June 1, 2021	9.75	29		June 1, 2022	9.25	4
	<b>Total</b>		<b>600</b>		June 1, 2023	8.00	20
<b>May 17, 2006</b>	June 1, 2011	6.00	210	June 1, 2025	9.00	24	
	June 1, 2012	5.25	225	June 1, 2027	8.00	34	
	June 1, 2013	5.25	165	June 1, 2029	5.75	39	
	<b>Total</b>		<b>600</b>	<b>Total</b>		<b>300</b>	
<b>June 14, 2006</b>	September 1, 2008	4.25	57	<b>November 1, 2006</b>	June 1, 2010	5.50	50
	June 1, 2010	5.50	531	June 1, 2011	6.00	25	
	June 1, 2011	6.00	12	June 1, 2011	8.50	8	
	<b>Total</b>		<b>600</b>	June 1, 2013	5.25	57	
	June 1, 2023	8.00	20	June 1, 2014	5.00	260	
<b>July 19, 2006</b>	June 1, 2025	9.00	40	<b>Total</b>		<b>400</b>	
	June 1, 2027	8.00	100	September 1, 2009	4.25	75	
	June 1, 2029	5.75	20	June 1, 2010	5.50	322	
	<b>Total</b>		<b>180</b>	June 1, 2010	9.50	3	
	June 1, 2013	5.25	219	<b>Total</b>		<b>400</b>	
<b>August 2, 2006</b>	March 15, 2014	10.25	52	<b>November 15, 2006</b>	March 15, 2021	10.50	19
	March 15, 2021	10.50	10	June 1, 2021	9.75	32	
	June 1, 2021	9.75	8	June 1, 2022	9.25	6	
	June 1, 2022	9.25	38	June 1, 2023	8.00	77	
	June 1, 2023	8.00	70	June 1, 2025	9.00	47	
<b>August 16, 2006</b>	June 1, 2025	9.00	41	June 1, 2027	8.00	35	
	June 1, 2027	8.00	25	June 1, 2029	5.75	86	
	June 1, 2029	5.75	37	<b>Total</b>		<b>302</b>	
	<b>Total</b>		<b>500</b>	June 1, 2014	5.00	260	
	June 1, 2010	5.50	50	June 1, 2021	9.75	25	
<b>August 30, 2006</b>	June 1, 2012	5.25	25	June 1, 2022	9.25	5	
	June 1, 2013	5.25	415	June 1, 2023	8.00	10	
	<b>Total</b>		<b>490</b>	<b>Total</b>		<b>300</b>	
	September 1, 2008	4.25	350	<b>Grand Total</b>		<b>5,147</b>	
September 1, 2009	4.25	100					
June 1, 2011	6.00	25					
<b>Total</b>		<b>475</b>					



**Reference Table XI (cont'd)**  
**Fiscal 2006–07 Bond Buyback Program Operations**

Buyback date	Maturity date	Coupon rate	Amount	Buyback date	Maturity date	Coupon rate	Amount	
		(%)	(\$ millions)			(%)	(\$ millions)	
<b>Buyback on switch basis</b>								
<b>April 26, 2006</b>	March 15, 2021	10.50	8	<b>November 22, 2006</b>	March 15, 2014	10.25	12	
	June 1, 2021	9.75	52		June 1, 2014	5.00	175	
	June 1, 2025	9.00	191		March 15, 2021	10.50	18	
	June 1, 2027	8.00	10		June 1, 2021	9.75	7	
	June 1, 2029	5.75	60		June 1, 2022	9.25	27	
<b>Total</b>			<b>320</b>	<b>Total</b>			<b>239</b>	
<b>June 7, 2006</b>	June 1, 2012	5.25	390	<b>December 6, 2006</b>	June 1, 2011	6.00	342	
	June 1, 2023	8.00	51		<b>Total</b>			<b>342</b>
	June 1, 2025	9.00	16		June 1, 2011	6.00	163	
<b>Total</b>			<b>457</b>	<b>Total</b>			<b>163</b>	
<b>June 21, 2006</b>	October 1, 2009	10.75	10	<b>February 14, 2007</b>	June 1, 2010	5.50	175	
	June 1, 2010	5.50	220		June 1, 2011	6.00	107	
	June 1, 2011	6.00	291		June 1, 2014	5.00	65	
	June 1, 2012	5.25	15		<b>Total</b>			<b>347</b>
	<b>Total</b>				<b>537</b>	September 1, 2009	4.25	170
<b>July 6, 2006</b>	September 1, 2008	4.25	533	<b>March 7, 2007</b>	October 1, 2009	10.75	2	
	October 1, 2009	10.75	13		June 1, 2010	5.50	74	
	<b>Total</b>		<b>546</b>		<b>Total</b>			<b>246</b>
<b>July 26, 2006</b>	June 1, 2010	5.50	339	<b>March 14, 2007</b>	June 1, 2014	5.00	134	
	March 1, 2011	9.00	6		June 1, 2021	9.75	3	
	June 1, 2011	6.00	218		June 1, 2025	9.00	25	
	<b>Total</b>		<b>563</b>		<b>Total</b>			<b>162</b>
	June 1, 2012	5.25	21		<b>Grand Total</b>			<b>4,749</b>
<b>September 14, 2006</b>	June 1, 2013	5.25	385					
	March 15, 2014	10.25	48					
	June 1, 2014	5.00	50					
	<b>Total</b>		<b>504</b>					
	June 1, 2021	9.75	1					
<b>October 26, 2006</b>	June 1, 2022	9.25	1					
	June 1, 2025	9.00	226					
	June 1, 2027	8.00	55					
	June 1, 2029	5.75	40					
	<b>Total</b>		<b>323</b>					





Reference Table XI (cont'd)  
Fiscal 2006–07 Bond Buyback Program Operations

Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)	Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)
<b>Cash management bond buyback</b>							
April 4, 2006	June 1, 2006	3.00	440	September 19, 2006	December 1, 2006	7.00	48
	September 1, 2006	5.75	313	<b>Total</b>	<b>Total</b>		<b>48</b>
	December 1, 2006	3.25	447	October 3, 2006	December 1, 2006	7.00	5
	<b>Total</b>		<b>1,200</b>	October 17, 2006	December 1, 2006	3.25	5
April 18, 2006	June 1, 2006	3.00	164	<b>Total</b>	<b>Total</b>		<b>95</b>
	<b>Total</b>		<b>164</b>	October 31, 2006	December 1, 2006	3.25	164
May 2, 2006	June 1, 2006	3.00	800		December 1, 2006	7.00	10
	December 1, 2006	3.25	50	<b>Total</b>	<b>Total</b>		<b>174</b>
	<b>Total</b>		<b>850</b>	December 12, 2006			0
June 13, 2006	September 1, 2006	5.75	499	December 27, 2006	June 1, 2007	3.00	241
	December 1, 2006	3.25	99		June 1, 2007	7.25	259
	December 1, 2006	7.00	16	<b>Total</b>	<b>Total</b>		<b>500</b>
	<b>Total</b>		<b>614</b>	January 9, 2007	June 1, 2007	3.00	434
June 27, 2006	June 1, 2007	3.00	530		June 1, 2007	7.25	50
	June 1, 2007	7.25	300	<b>Total</b>	<b>Total</b>		<b>484</b>
	<b>Total</b>		<b>830</b>	January 23, 2007	June 1, 2007	3.00	552
July 11, 2006	December 1, 2006	3.25	335		<b>Total</b>		<b>552</b>
	December 1, 2006	7.00	25	February 6, 2007	June 1, 2007	3.00	700
	<b>Total</b>		<b>360</b>		June 1, 2007	7.25	46
July 25, 2006	December 1, 2006	3.25	300	<b>Total</b>	<b>Total</b>		<b>747</b>
	<b>Total</b>		<b>300</b>	February 20, 2007	June 1, 2007	3.00	483
August 8, 2006	September 1, 2006	5.75	50		June 1, 2007	7.25	17
	December 1, 2006	3.25	257	<b>Total</b>	<b>Total</b>		<b>500</b>
	June 1, 2007	3.00	18	<b>Grand Total</b>	<b>Grand Total</b>		<b>8,227</b>
	<b>Total</b>		<b>325</b>				
September 5, 2006	December 1, 2006	3.25	451				
	December 1, 2006	7.00	28				
	<b>Total</b>		<b>479</b>				

Source: Bank of Canada.



**Reference Table XII**  
Retail Debt Sales, Redemptions and Stock Outstanding

Fiscal year	Gross sales	Redemptions (\$ billions)	Net change	Outstanding at fiscal year end
1986-87	9.2	-9.2	0.0	44.6
1987-88	17.5	-8.5	8.9	53.5
1988-89	15.0	-20.4	-5.5	48.1
1989-90	9.3	-16.2	-6.8	41.2
1990-91	6.7	-13.2	-6.5	34.7
1991-92	9.6	-8.4	1.2	35.9
1992-93	9.2	-10.4	-1.2	34.7
1993-94	5.4	-8.5	-3.1	31.6
1994-95	7.5	-7.6	-0.1	31.5
1995-96	4.6	-4.6	0.0	31.5
1996-97	5.7	-3.7	2.1	33.6
1997-98	5.0	-7.7	-2.8	30.8
1998-99	4.8	-7.0	-2.2	28.6
1999-00	2.7	-4.2	-1.5	27.1
2000-01	3.2	-3.7	-0.5	26.6
2001-02	2.7	-5.0	-2.3	24.3
2002-03	3.5	-4.9	-1.4	22.9
2003-04	2.9	-4.2	-1.4	21.5
2004-05	2.0	-4.2	-2.3	19.2
2005-06	1.9	-3.6	-1.8	17.5
2006-07	1.8	-4.1	-2.3	15.2

Note: Figures are in accordance with Bank of Canada audited reports, which may vary from Public Accounts reports due to differences in classification.  
Source: Bank of Canada.



## Reference Table XIII

## Crown Corporation Borrowings as at March 31, 2007

Borrowings from the market	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Export Development Canada	10,077	12,967	16,888	18,406	20,481	20,375	17,178	16,191	13,730	15,533
Canadian Wheat Board <sup>1</sup>	6,698	6,786	542	425	397	378	12	6	0	0
Business Development Bank of Canada	3,839	4,223	4,723	5,102	5,726	6,263	7,302	7,432	7,898	8,256
Farm Credit Canada	3,026	4,317	5,083	5,695	7,096	8,082	9,209	10,181	11,133	12,182
Canada Mortgage and Housing Corporation	9,934	10,633	10,801	11,672	11,372	11,091	10,441	9,573	8,953	9,071
Canada Housing Trust <sup>2</sup>	443	471	338	0	7,928	20,248	39,269	57,518	77,840	96,547
Petro-Canada Ltd.	3	79	69	0	0	0	0	0	0	0
Canada Ports Corporation	n/a	n/a	150	56	63	114	108	71	64	61
Canada Post Corporation	258	222	46	44	40	39	45	36	79	132
<b>Total</b>	<b>34,278</b>	<b>39,698</b>	<b>38,640</b>	<b>41,400</b>	<b>53,103</b>	<b>66,590</b>	<b>83,564</b>	<b>101,008</b>	<b>119,697</b>	<b>141,782</b>

<sup>1</sup> Effective December 31, 1998, the Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the Financial Administration Act.

<sup>2</sup> Canada Housing Trust has been included in the government reporting entity effective April 1, 2005, as a result of the application of a new accounting standard.

Borrowings from the Consolidated Revenue Fund <sup>1</sup>	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Canada Mortgage and Housing Corporation	6,708	6,298	6,152	5,925	5,696	5,476	5,255	5,062	4,860	4,805
Canada Deposit Insurance Corporation	395	0	0	0	0	0	0	0	0	0
Farm Credit Canada	1,877	1,041	805	578	0	0	0	0	0	0
Other	179	121	77	84	104	38	62	61	127	93
<b>Total</b>	<b>9,159</b>	<b>7,460</b>	<b>7,034</b>	<b>6,587</b>	<b>5,800</b>	<b>5,514</b>	<b>5,317</b>	<b>5,123</b>	<b>4,987</b>	<b>4,898</b>

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

<sup>1</sup> Figures have been adjusted to include accrued interest.

Source: Public Accounts of Canada.