

**CANADIAN DOLLAR - U.S. DOLLAR SWAP AGREEMENT**  
**DATED AS OF JANUARY 15, 2014**

This Canadian Dollar – U.S. Dollar swap agreement (“**Swap Agreement**”) is between the Bank of Canada (“**BoC**”) and the Federal Reserve Bank of New York, acting at the direction of the Federal Open Market Committee (“**FRBNY**”) (together, the “**Parties**”) and is dated as of January 15, 2014 and takes effect from January 17, 2014 (the “**Effective Date**”).

WHEREAS, the Parties wish to convert their existing temporary arrangement to purchase and subsequently repurchase Canadian Dollars (“**CAD**”) and U.S. Dollars (“**USD**”) from each other to facilitate the functioning of financial markets and provide liquidity in **CAD** into a standing arrangement.

NOW THEREFORE, the Parties agree to the following Swap Agreement and that the implementation of this Swap Agreement shall be governed by the terms and conditions set forth herein:

**1. Commitments by the Parties to Purchase and Repurchase Currency**

- a. The BoC agrees to sell CAD to the FRBNY and to purchase USD from the FRBNY by means of a spot transaction, with a simultaneous agreement by the BoC to sell USD to the FRBNY and to purchase CAD from the FRBNY on the maturity date of such swap transaction (the “**Maturity Date**”) by means of a forward transaction.
- b. The purchases and the subsequent repurchases under this Swap Agreement shall be referred to collectively as “**Swap Transactions**” and individually as a “**Swap Transaction**”.
- c. The Parties agree, at such times as they mutually agree, to enter into Swap Transactions provided that (i) the BoC must receive at least one (1) Business Day’s (defined below) prior notice before the proposed Value Date (defined below) of a proposed Swap Transaction (except for any overnight Swap Transaction, for which the BoC must receive notice by 8:00 a.m. Ottawa time on the day on which the FRBNY wishes to enter into any overnight Swap Transaction) and (ii) all Swap Transactions will have a maximum duration of 88 days or as otherwise agreed upon by the Parties. The Parties may agree to waive or modify either or both of these conditions (i) and (ii).

- d. The term “**Value Date**” will mean the day on which the BoC advances CAD to the FRBNY
- e. The term “**Business Day**” will mean a day (other than a Saturday or Sunday) on which banks are open for business in Ottawa.

**2. Establishment of BoC Account on the Books of the FRBNY**

- a. For the purposes of implementing this Swap Agreement, the FRBNY will open or has opened an account in the name of the BoC (the “**BoC Account**”), which account shall be used solely in connection with the implementation of this Swap Agreement.
- b. No payment instructions shall be executed in connection with the BoC Account other than those executed in connection with the implementation of this Swap Agreement.
- c. No intra-day or overnight credit shall be granted by the FRBNY in respect of the BoC Account.

**3. Establishment of FRBNY Account on the Books of the BoC**

- a. For the purposes of implementing this Swap Agreement, the BoC will open or has opened an account in the name of the FRBNY (the “**FRBNY Account**”), which account shall be used solely in connection with the implementation of this Swap Agreement and for the transfer of CAD received under this Swap Agreement.
- b. No payment instructions shall be executed in connection with the FRBNY Account other than those executed in connection with the implementation of this Swap Agreement and for the transfer of CAD received under this Swap Agreement.
- c. No intra-day or overnight credit shall be granted by the BoC in respect of the FRBNY Account.

**4. Exchange Rate and Fee Determination**

- a. The USD/CAD exchange rate (the “**Exchange Rate**”) that shall apply to (i) each purchase of USD and CAD under this Swap Agreement, and (ii) each repurchase of USD and CAD under this Swap Agreement, shall be based on the prevailing market spot exchange rate as mutually agreed upon by the Parties. The same exchange rate (i.e., the rate of the spot leg) shall be applied to both the spot and forward legs of the same Swap Transaction.

- b. The FRBNY shall pay a fee to the BoC in respect of CAD purchased by it under each Swap Transaction. Except as otherwise agreed upon by the Parties, the fee will be a CAD amount equal to the CAD Amount (defined below) multiplied by a rate (the “BoC Rate”) (rounded to 4 digits after the decimal point) to be agreed by the Parties at the initiation of a Swap Transaction (the “Fee”). The Fee shall be calculated on a 365-day basis on the actual number of days from, and including, the Value Date to, but excluding, the Maturity Date. On the Maturity Date, the Fee shall be paid by the FRBNY to the BoC in CAD, and the BoC will debit the Fee from the FRBNY Account.
- c. There shall be no interest or fee payable by the BoC in respect of any portion of any Swap Transaction. The BoC shall hold the USD portion of such Swap Transaction at the FRBNY in the non-interest bearing BoC Account.

#### 5. Transaction Procedures

- a. At such time as either Party may desire to initiate a Swap Transaction, the Parties will agree on the following terms of each Swap Transaction by means mutually agreed upon by both Parties.
  - i) amount of CAD to be purchased by the FRBNY (the “CAD Amount”) and, based on the applicable Exchange Rate, the amount of USD to be purchased by the BoC (the “USD Amount”);
  - ii) Value Date;
  - iii) Exchange Rate;
  - iv) BoC Rate;
  - v) Maturity Date; and
  - vi) Fee (calculated in accordance with Section 4(b) above).
- b. Once the Parties have agreed on the terms described in Section 5(a), the Parties shall confirm their agreement without delay by means of a SWIFT message or if SWIFT is not available by means mutually agreed upon by the Parties.
- c. On the Value Date, the CAD Amount shall be credited to the FRBNY Account, and the USD Amount shall be credited to the BoC Account.
- d. On the Maturity Date, the CAD Amount plus any Fee shall be repaid by the FRBNY to the BoC through the FRBNY Account.

- e. On the Maturity Date, the USD Amount, without any return thereon, shall be repaid by the BoC to the FRBNY through the BoC Account.
- f. Each party shall provide the other Party with a statement of account with respect to every movement on the other Party's account in relation to this Swap Agreement.

**6. Rollover and Set-off**

- a. Rollover. In the event that the FRBNY does not repay in full the CAD Amount and Fee due under a Swap Transaction on the Maturity Date, the Parties agree to roll over any shortfall plus any Fee owing in respect of the shortfall into a new overnight Swap Transaction ("**Rollover Swap Transaction**") with a CAD Amount equal to the shortfall plus any Fee owing in respect of the shortfall. The portion of the maturing Swap Transaction that is not repaid shall be cancelled and replaced by such Rollover Swap Transaction, and the Rollover Swap Transaction shall be a Swap Transaction under this Swap Agreement. In such case, the FRBNY shall credit the USD equivalent amount of such shortfall (plus any Fee owing in respect of the shortfall) to the BoC Account as soon as possible and no later than the next day on which banks are open for business in New York. The FRBNY grants the BoC authority to invoke a Rollover Swap Transaction on its behalf to cover any shortfall of maturity (and Fee) payments on any given day. The additional drawdown for the Rollover Swap Transaction will not exceed the total amount (and Fee) maturing on that day. The Exchange Rate and the BoC Rate for any Rollover Swap Transaction shall be the same respective rates as the rates on the maturing Swap Transaction that experienced the shortfall. All amounts due under a Rollover Swap Transaction will be paid on the maturity of the Rollover Swap Transaction.
- b. Setoff. Notwithstanding Section 6(a), if at any time the FRBNY fails to fulfil its payment obligations under this Swap Agreement with respect to a particular Swap Transaction on the applicable Maturity Date, the BoC is authorized to set off any obligations that it may owe to the FRBNY with respect to such Swap Transaction against the corresponding USD held by the BoC in respect of such Swap Transaction in the BoC Account pursuant to Section 5(c). The Parties shall use the prevailing market rate (as reasonably determined by the BoC) applicable on the same date as any set-off calculation to be performed.

## **7. Warranties**

- a. Authority. Except as otherwise provided herein, each of the Parties warrants and represents that it has the full power and authority to enter into and perform its obligations under this Swap Agreement.
- b. Covenant to Inform. In the event there is any change in law, act or other change of fact or circumstance as a result of which one of the Parties is not able to perform all of its obligations under, this Swap Agreement, such Party shall inform the other Party as soon as reasonably practicable of such change in law, act or other change of fact or circumstance and the steps that it plans to take in response.
- c. Repetition. On each occasion that a Swap Transaction is entered into under this Swap Agreement, the warranties set out in this Section 7 shall be deemed to be repeated.

## **8. Termination**

- a. The Parties may, at any time, mutually agree to terminate any Swap Transaction or any portion of any Swap Transaction entered into under this Swap Agreement prior to the Maturity Date for such Swap Transaction. In case of any such early termination of a Swap Transaction, the amounts payable at the early maturity of the Swap Transaction shall be adjusted, as agreed between the BoC and the FRBNY, and such adjusted amounts shall be confirmed without delay by means of a SWIFT message.
- b. The Parties may, at any time, mutually agree to terminate this Swap Agreement or either Party may unilaterally terminate this Swap Agreement with 6 months' prior written notice to the other Party.
- c. At such time that this Swap Agreement is terminated for any reason, the terms and conditions of this Swap Agreement and any outstanding Swap Transaction shall continue to apply until all amounts owed by either Party under this Swap Agreement have been repaid in full.

## **9. Communications**

- a. All communication shall be in English, unless the Parties otherwise agree in writing. Any notice, request, document or other communication submitted by a Party under this Swap Agreement shall be in the form of a record (including a telephone call recorded by the Party making the call), shall refer to this Swap Agreement, and shall be deemed fully

given or sent when delivered or made to the other Party in accordance with the contact details that will be provided separately by each Party.

- b. These contact details may be changed by a Party upon written notice (including by e-mail) to the other Party.

#### **10. Recording**

The Parties agree that each may electronically record all telephone conversations between them with respect to this Swap Agreement.

#### **11. Survival of Covenants**

All covenants, agreements and warranties made herein shall survive after the execution and delivery of this Swap Agreement and shall remain in full force and effect until repayment in full of all amounts owed pursuant to this Swap Agreement.

#### **12. Counterparts and Effective Date**

- a. This Swap Agreement may be executed in counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute but one and the same instrument.
- b. This Swap Agreement replaces and supersedes the Swap Agreement between the Parties dated as of December 20, 2011, as amended from time to time, and shall become effective as of the Effective Date.

IN WITNESS WHEREOF, this Swap Agreement is signed and executed by the authorized representatives of the Parties as of the Effective Date.

**FEDERAL RESERVE BANK OF  
NEW YORK**



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By: Simon M. Potter  
Title: Executive Vice President  
Date: January 14, 2014

**BANK OF CANADA**

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By: Jeremy S.T. Farr  
Title: General Counsel and Corporate  
Secretary  
Date:

IN WITNESS WHEREOF, this Swap Agreement is signed and executed by the authorized representatives of the Parties as of the Effective Date.

**FEDERAL RESERVE BANK OF  
NEW YORK**

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By: Simon M. Potter  
Title: Executive Vice President  
Date:

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**BANK OF CANADA**



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By: *Jeremy S.T. Farr*  
Title: General Counsel and Corporate  
Secretary

Date: *January 16, 2014*