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March 24, 2020

Stephen S. Poloz  
Governor  
Bank of Canada  
234 Wellington Street  
Ottawa, ON, K1A 0G9  
Via email: [spoloz@bankofcanada.ca](mailto:spoloz@bankofcanada.ca)

Dear Governor,

### **COVID-19**

The Canadian Bond Investors' Association (the "CBIA") thanks you, the Bank of Canada staff and our other authorities for your tireless efforts to help restore market functions during these unprecedented and challenging times. The number of actions implemented has been truly impressive. We are writing you today to urgently consider yet further action to assist the millions of Canadians investing directly and indirectly in the corporate, provincial and municipal bond markets.

The CBIA represents over 50 of the largest fixed income institutional investor organizations in Canada, with over \$1.2 trillion in fixed income assets under management. Our member organizations include sophisticated institutional investors such as insurance companies, bank-owned investment managers, pension funds and investment advisers. Our mandate includes acting on behalf of institutional fixed income investors in addressing key issues with legislators, regulators, bond issuers, investment dealers and other industry participants. We are the voice of Canadian bond investors, and speak not only for those investors but also for the pensioners, policy holders and retail investors who depend on our members for the sound management of their investments.

We know the Bank of Canada is keenly aware that the provincial, municipal and corporate bond markets have essentially seized up. Banks and dealers seem unable to bid on even the shortest debt issued by the strongest of credits. Whether driven by bank capital rules or simply risk appetite is less important than acknowledging that the illiquidity in the bond market will prevent Canadians from accessing funds from what are normally very liquid investments. So far there have been several critically important actions taken by the Bank of Canada and other Canadian authorities to improve the liquidity of different markets. Unfortunately, these have not directly addressed the dysfunction in the corporate bond markets since permitting corporate debt as collateral via different programs has not increased the appetite of the banks and dealers for such paper. The few new corporate and provincial issues have themselves been privately placed with only a couple of investors and are not indicative of a healthy market. We note that authorities in other jurisdictions have implemented efforts to purchase different forms of corporate debt directly in the market to encourage market function.

We applaud the additional Bank of Canada Act authority described in the Gazette on Friday. On behalf of its members and the millions of Canadians invested in these markets, the CBIA urges the Bank of Canada to immediately utilize its authority under its mandate to facilitate market liquidity by purchasing high quality provincial, municipal and corporate bonds and CP in the market.

We would be pleased to discuss this further with your officials.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Ian McKinnon', with a stylized flourish at the end.

Ian McKinnon  
Chair

cc.

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