

Qualitative Notes to Quantitative Disclosure

Principle	Statement																																																																																																																																																																																																																		
	<p>5.1.1: Assets eligible as initial margin and the respective haircuts applied.</p> <p>For debt instruments issued or guaranteed by the federal and provincial governments, haircuts are based on the published Bank of Canada's margin requirement rates for Standing Liquidity Facility eligible securities. For other debt instruments, haircuts are based on the security class, an issuer rating and its term to maturity. The table below outlines the haircut rates for different debt securities (including zero coupon bonds).</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <caption>Table 2: Haircut Rates for Debt Securities Not Backed by Federal or Provincial Governments</caption> <thead> <tr> <th rowspan="2">Security Type</th> <th colspan="5">Years to Maturity</th> </tr> <tr> <th>0 to 1</th> <th>1 to 3</th> <th>3 to 5</th> <th>5 to 10</th> <th>> 10</th> </tr> </thead> <tbody> <tr> <td>Corporate AAA</td> <td>3.00%</td> <td>3.50%</td> <td>4.00%</td> <td>6.50%</td> <td>9.00%</td> </tr> <tr> <td>Corporate AA</td> <td>3.00%</td> <td>3.50%</td> <td>4.00%</td> <td>6.50%</td> <td>9.00%</td> </tr> <tr> <td>Corporate A</td> <td>5.00%</td> <td>5.50%</td> <td>6.00%</td> <td>8.50%</td> <td>11.00%</td> </tr> <tr> <td>Unrated public sector entities and government grants</td> <td>15.00%</td> <td>16.00%</td> <td>17.00%</td> <td>18.50%</td> <td>20.00%</td> </tr> <tr> <td>Unrated municipal</td> <td>20.00%</td> <td>21.00%</td> <td>22.00%</td> <td>23.50%</td> <td>25.00%</td> </tr> <tr> <td>Corporate BBB</td> <td colspan="2">30.00%</td> <td>32.00%</td> <td>33.00%</td> <td>35.00%</td> </tr> <tr> <td>Corporate BB and lower</td> <td colspan="5">100.00%</td> </tr> <tr> <td>U.S. T-bills, notes and bonds</td> <td colspan="2">1.00%</td> <td>1.50%</td> <td>3.00%</td> <td>4.50%</td> </tr> </tbody> </table>	Security Type	Years to Maturity					0 to 1	1 to 3	3 to 5	5 to 10	> 10	Corporate AAA	3.00%	3.50%	4.00%	6.50%	9.00%	Corporate AA	3.00%	3.50%	4.00%	6.50%	9.00%	Corporate A	5.00%	5.50%	6.00%	8.50%	11.00%	Unrated public sector entities and government grants	15.00%	16.00%	17.00%	18.50%	20.00%	Unrated municipal	20.00%	21.00%	22.00%	23.50%	25.00%	Corporate BBB	30.00%		32.00%	33.00%	35.00%	Corporate BB and lower	100.00%					U.S. T-bills, notes and bonds	1.00%		1.50%	3.00%	4.50%																																																																																																																																																							
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	<p>5.3.4: Number of days during the look-back period on which the fall in value during the assumed holding/liquidation period exceeded the haircut on an asset (as of June 30, 2024 for CNS). <i>Note: Upon regular review of the sufficiency of haircuts applied to securities pledged as CNS collateral, the haircuts for the NHA MTG securities with 10 or more breaches at the top of the list below have been assigned a collateral value of 0 (i.e., a 100% haircut, in effect, was applied to those securities).</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Security ID</th> <th>Debt Security Description</th> <th>Currency</th> <th>Prescribed Haircut (%)</th> <th>Number of Days Prescribed Haircut Exceeded</th> </tr> </thead> <tbody> <tr><td>CA135087G997</td><td>GOVT CDA</td><td>CAD</td><td>3</td><td>19</td></tr> <tr><td>CA62970ZUQ94</td><td>NHA MTGE1</td><td>CAD</td><td>3</td><td>18</td></tr> <tr><td>CA62970Z2Q07</td><td>NHA 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