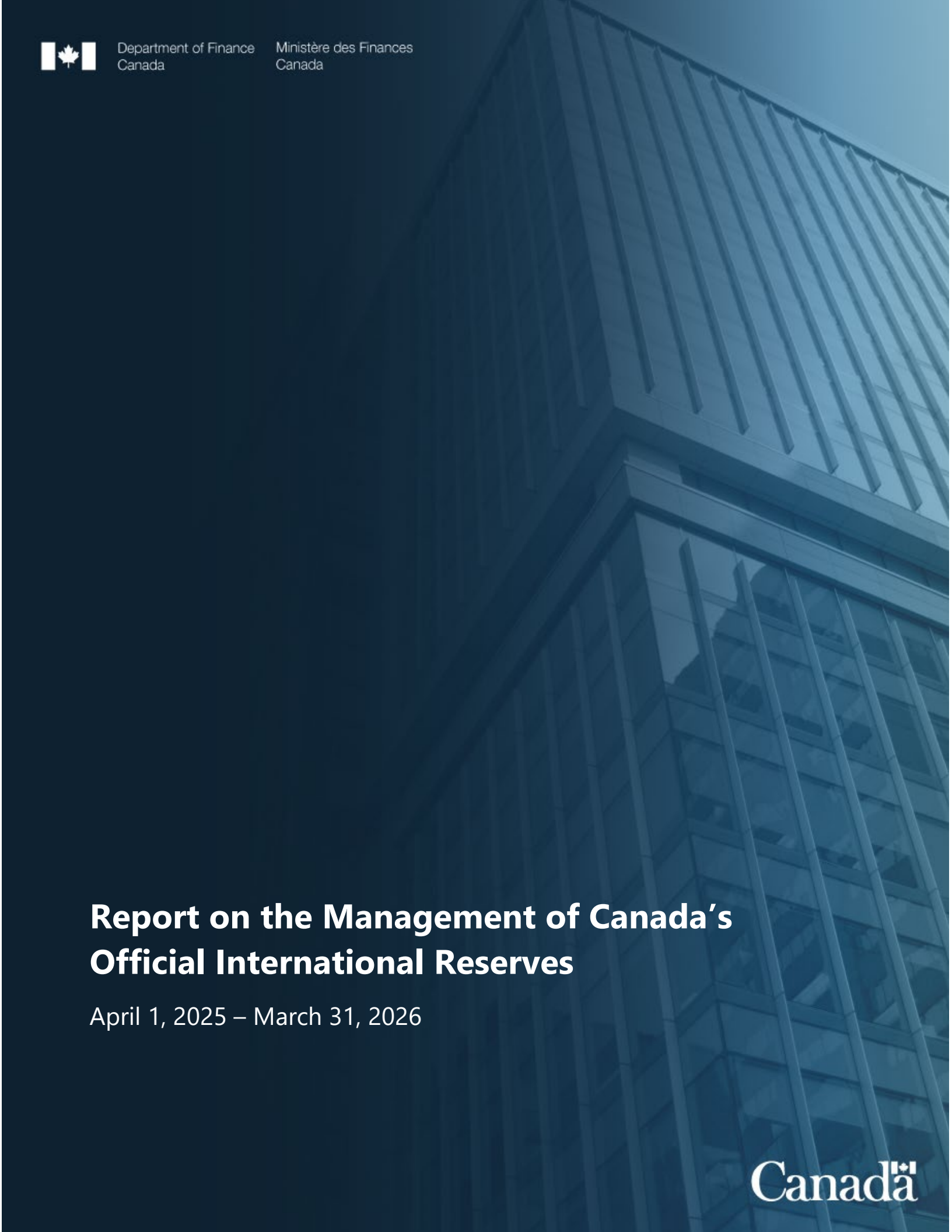


Department of Finance Canada
Ministère des Finances Canada

Report on the Management of Canada's Official International Reserves

April 1, 2025 – March 31, 2026

Canada

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Purpose of the Report

This edition of the *Report on the Management of Canada's Official International Reserves* provides details on official international reserves operations from April 1, 2025, to March 31, 2026 (the 2025-26 fiscal year).

As required under the *Currency Act*, the report provides a comprehensive account of the framework within which the Exchange Fund Account (EFA) is managed, the composition of and changes in the EFA during the year, a statement of whether the strategic objectives established for the EFA have been met, and information on agents appointed to perform services concerning the EFA. This report also contains the financial statements of the Exchange Fund Account for 2025-26.

The unaudited financial statements that appear at the end of this report are in Canadian dollars and are considered accurate as at the time of this publication.

Exchange Fund Account

The EFA, which is held in the name of the Minister of Finance, represents the largest component of Canada's official international reserves. It is a portfolio that is primarily made up of liquid foreign currency securities, deposits, and special drawing rights (SDRs)[1]. In addition to the EFA, Canada's official international reserves include Canada's reserve position at the IMF. This position, which represents Canada's investment in the activities of the IMF, fluctuates according to drawdowns by and repayments from the IMF.

The legislative purposes of the EFA, as specified in the *Currency Act*, are to aid in the control and protection of the external value of the Canadian dollar and to provide a source of liquidity for the Government, if required. Under the *Currency Act*, the Minister of Finance has the authority to acquire, borrow, sell or lend assets held in the EFA in accordance with the *Statement of Investment Policy for the Government of Canada* (see Annex 1).

The Department of Finance Canada and the Bank of Canada jointly develop and implement the funding and investment policy of the EFA. As fiscal agent of the Government, the Bank of Canada executes funding and investment transactions and manages EFA cash flows.

Annex 1 describes the policies that pertain to foreign currency funding activities, investments, risk management, and performance measurement. A detailed description of the EFA's management framework is provided in Annex 2. The framework includes the objectives, principles and governance structure of the EFA.

[1] SDRs are international reserve assets created by the International Monetary Fund (IMF) whose value is based on a basket of five major international currencies (the US dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling).

Executive Summary

The strategic objectives of Canada's foreign exchange reserves—to maintain an adequate level of liquidity, to preserve capital value, and, subject to these two primary objectives, to optimize returns—were again achieved during 2025-26, despite a challenging external environment.

Capital Preservation and Liquidity

- The market value of Canada's official international reserves increased to US$126.8 billion on March 31, 2026, from US$126.0 billion the previous year. The increase mainly reflected a larger reserve position at the IMF and higher other reserve assets.
- As at March 31, 2026, total liquid reserves (securities and deposits) were valued at US$97.1 billion. Investments in US dollar-denominated assets accounted for the largest portion (70 per cent) of liquid reserves, followed by investments in euros (16 per cent), British pound sterling (8 per cent), and Japanese yen (6 per cent). The EFA, which includes liquid reserves and SDR holdings, remained broadly unchanged at US$120.5 billion.
- The Minister of Finance *Statement of Investment Policy for the Government of Canada* requires that the value of the total liquid reserves must be maintained at or above 3 per cent of nominal gross domestic product in order to ensure it is sufficiently large to deliver on its legislative purpose. This target was met with the value of the liquid reserves standing at 4.1 per cent of nominal gross domestic product on March 31, 2026.
- The reserves portfolio is focused on investments in stable, highly-rated assets (mostly highly-rated sovereigns and their agencies). About 38 per cent of assets were rated AAA on March 31, 2026 and 40 per cent rated AA+, with none rated below A. The decline of AAA-rated assets from 2025 levels (81 per cent) was primarily driven by a downgrade of the United States' credit rating.

Performance

- The EFA reported a total net gain[2] of 15 basis points when comparing the asset portfolio to the liability portfolio, equivalent to an estimated mark-to-market gain of approximately US$154 million. This net gain was largely attributable to a positive net coupon return and positive performance in the US dollar and euro portfolios, partly offset by negative performance in the yen portfolio. This net gain follows the 9 basis point loss recorded in 2024-25.
- The EFA earned an average positive spread, or net "coupon return," of approximately 26 basis points, or about US$329 million, reflecting that earnings on assets exceeded the interest cost of the corresponding liabilities.
- The EFA asset portfolio reported a return of 4.39 per cent in 2025-26 versus the return of the benchmark[3] of 4.47 per cent, an underperformance of 8 basis points, primarily due to differences in portfolio composition relative to the benchmark, which favoured higher returns in the euro and yen sub-portfolios.

Financing

- EFA assets are matched by a corresponding portfolio of liabilities with similar currency and durations. This asset-liability matching framework helps limit the EFA portfolio's exposure to interest rate and currency risks. This ensures that the EFA portfolio remains stable and readily available when it is most needed, while minimizing risks to the public balance sheet.

[2] The total net gain represents the net gain generated by the EFA by including the changes in the market values of the assets and liabilities over the reporting period. It includes the realized coupon return, as well as the unrealized gains or losses due to changes in the market value.

[3] The EFA benchmark portfolio is a composite portfolio comprised primarily of sovereign, supranational and agency securities denominated in the four reserve currencies that make up the EFA (excl. SDR). It was redesigned in 2025-26 to reduce complexity while maintaining the similar benefits provided by the outgoing benchmark portfolio and respecting the funding structure guiding the ALM framework. This benchmark portfolio combines several externally measured indices to estimate, but not completely reflect, potential returns for the EFA. Note that EFA assets are not actively managed to outperform this benchmark which represents an approximation of potential returns.

- In 2025-26, the EFA funding operations mainly consisted of cross-currency swaps.
    - New cross-currency swap funding volumes amounted to US$8.7 billion in 2025-26 at an average cost of U.S. Secured Overnight Financing Rate (SOFR) plus 25 basis points. This was higher than the average funding cost in the previous year, which was SOFR plus 15 basis points, due to less favourable market conditions.

Report on Operations in 2025–26

Global Economic Developments

The 2025-26 fiscal year was marked by some of the most significant market volatility since the onset of the COVID-19 pandemic, amid persistent trade and fiscal policy uncertainty, which intensified with the outbreak of hostilities involving Iran, triggering a sharp rise in commodity prices and adding to broader market unease.

The U.S. Administration's tariff measures and subsequent retaliatory actions weighed on global growth prospects and heightened uncertainty. Political uncertainties in several jurisdictions, coupled with continued geopolitical conflicts, further contributed to elevated economic and financial market volatility. The fiscal year concluded against a backdrop of continued market uncertainty. This year-end environment had a significant impact on the year-over-year results presented in this report. For example, yields on U.S. 10-year Treasury securities increased by approximately 50 basis points in the month following February 27, 2026, notably after hostilities involving Iran, underscoring the sensitivity of global markets to evolving fiscal, trade, and geopolitical developments.

Government bond yields in many advanced economies rose during early 2026. Additional borrowing associated with economic support measures and increased defence spending placed further pressure on global public finances throughout the year and contributed to higher sovereign borrowing costs. These market repricings occurred alongside policy rate reductions in the U.S., eurozone, and United Kingdom. For most of the fiscal year, government bond yields moved within relatively more normal ranges before a sharp increase at year-end, which reduced the market value of EFA assets on a year-over-year basis. The IMF has highlighted a "heightened sensitivity of fiscal news" among investors, suggesting that bond markets may remain vulnerable to episodes of elevated volatility. Although inflation appeared to be broadly under control through much of the fiscal year, allowing central banks (except for the Bank of Japan) to ease monetary policy, the rise in oil prices associated with geopolitical conflict underscores the risk that inflationary pressures could re-emerge in 2026-27, complicating the policy outlook.

The US dollar's depreciation, particularly during the first half of the fiscal year, was another notable market development in 2025-26. The US dollar weakened against the euro and British pound sterling, increasing the value of EFA assets denominated in those currencies when measured in US dollars. In contrast, the Japanese yen's value against the US dollar declined, reducing the US dollar value of yen assets in the portfolio. Currency markets reversed course in the final month of the fiscal year as the onset of hostilities involving Iran triggered a broad risk-off shift in global markets. Investors moved toward traditional safe-haven assets, leading to a decline in most non-US dollar currencies. As a result, foreign exchange movements reduced the value of the EFA by approximately 1 per cent at fiscal year end.

Strategic Objectives

The *Currency Act* stipulates that this report provide a statement of whether the strategic objectives established for the EFA have been met during the review period. These objectives—to maintain an adequate level of liquidity, to preserve capital value, and, subject to these two primary objectives, to optimize returns—were achieved during

2025-26. The planned level of liquidity was maintained for the reserves portfolio throughout the reporting period, and the portfolio's exposure to market and credit risks was managed within approved limits. In addition, the net underlying return (coupon return) was positive despite a volatile global economic and financial climate.

During the 2025-26 fiscal year, the EFA underperformed the benchmark portfolio by approximately 8 basis points, primarily due to differences in portfolio composition relative to the benchmark, which favoured higher returns in the euro and yen sub-portfolios. Relative performance was largely driven by asset allocation and portfolio composition effects within these currency segments, where the benchmark benefited from market developments to a greater extent than the EFA.

Liquidity and Preservation of Capital

The market value of Canada's official international reserves increased to US$126.8 billion as at March 31, 2026, from US$126.0 billion as at March 31, 2025 (Table 1).

EFA assets (total official international reserves excluding the IMF reserve position and other reserve assets) totalled US$120.5 billion as at March 31, 2026. The level of liquid reserves (EFA assets excluding SDR holdings) amounted to US$97.1 billion, or approximately 4.1 per cent of nominal gross domestic product, consistent with the Government's commitment to maintain holdings of liquid foreign exchange reserves at or above 3 per cent of nominal gross domestic product. Liquid reserve assets are composed primarily of debt securities of highly-rated sovereigns, sub-sovereigns, agencies and supranational organizations that borrow on public markets.

Table 1
The EFA and Official International Reserves
market value in millions of US dollars, settled basis.

	March 31, 2026	March 31, 2025	Change
Securities	86,125	89,827	-3,702
Deposits[1]	11,007	7,953	3,054
Total securities and deposits (liquid reserves)	97,132	97,780	-648
Gold	0	0	0
SDR	23,413	22,669	744
Total EFA	120,545	120,449	96
IMF reserve position	4,070	3,666	404
Other reserve assets[2]	2,140	1,877	263
Total official international reserves	126,755	125,992	764

Note: Numbers may not add due to rounding.
[1] Cash deposits with central banks and term deposits with the Bank for International Settlements.
[2] Includes the distribution of SDRs allocated to Canada by the IMF as part of the Resilience and Sustainability Trust borrowing agreement.

The largest portion of EFA liquid reserves is in US dollars given its central role as a global reserve currency and because Canada's potential foreign currency needs would mainly be in US dollars. The EFA also includes euro, British pound sterling, and Japanese yen assets (Table 2). Broadly, the portfolio's currency composition remained stable in 2025-26.

Table 2

Currency Composition of EFA Liquid Reserves

market value in millions of US dollars (share of total), settled basis.

	March 31, 2026	March 31, 2025	Change
US dollars	67,663 (70%)	69,814 (71%)	-2,151
Euros	15,389 (16%)	13,582 (14%)	1,807
Pound sterling	7,839 (8%)	9,825 (10%)	-1,986
Yen	6,241 (6%)	4,559 (5%)	1,682

Notes: Liquid reserves exclude SDR holdings. Numbers may not add due to rounding.

In 2025-26, EFA assets were largely invested in the debt of sovereigns, sub-sovereigns and government agencies, while holdings in supranational organization securities and cash were also sizable (Table 3). Such securities and cash holdings both enhance the liquidity and preserve the capital value of the EFA.

Table 3

Composition of EFA Liquid Reserves

market value in millions of US dollars (share of total), settled basis.

	March 31, 2026	March 31, 2025	Change
Sovereigns and agencies	67,940 (70%)	69,137 (71%)	-1,197
Supranationals	18,186 (19%)	20,690 (21%)	-2,504
Cash	11,007 (11%)	7,953 (8%)	3,054

Notes: Liquid reserves exclude SDR holdings. Numbers may not add due to rounding.

As specified in the *Statement of Investment Policy for the Government of Canada,* to help achieve the objective of preserving capital value, an issuing entity must be deemed by Canada to have a credit rating of A- or higher to be eligible for investment in the EFA. Compliance with issuer credit limits is monitored in real time.

Based on the second highest credit rating among those provided by Moody's Investors Service, Standard & Poor's, Fitch Ratings and Dominion Bond Rating Service at fiscal year end, most EFA assets had a credit rating of AA+ or AAA (Table 4).

- Moody's downgrade of the United States from Aaa to Aa1 was the main driver of the sharp decline in the AAA share of the portfolio. This downgrade by Moody's followed previous downgrades by S&P (2011) and Fitch (2023). Moody's attributed the downgrade to the sustained increase in U.S. government debt and interest costs, persistent fiscal deficits, and the lack of measures to reverse these trends. As a result, the United States is no longer rated AAA/Aaa by any of the three major credit rating agencies. Despite their lower credit rating, U.S. Treasury securities continue to be widely viewed as safe and highly liquid financial assets that play a foundational role in the global financial system.
- France was also downgraded during the year, with Fitch and S&P lowering its sovereign rating to A+. These downgrades reflected persistent fiscal deficits, rising public debt and political instability that reduced the prospects for sustained fiscal consolidation. Related rating actions affecting French government-supported issuers also contributed to the shift in the portfolio's credit-rating distribution.

The Government of Canada is committed to limiting mechanistic reliance on external credit ratings, consistent with Financial Stability Board principles and G20 commitments. As such, the Bank of Canada performs internal credit assessments on an ongoing basis as part of determining whether an issuer is deemed to have a credit rating of A- or higher.

Table 4

Credit Composition of EFA Liquid Reserves

market value in millions of US dollars (share of total), settled basis.

	March 31, 2026	March 31, 2025	Change
AAA	32,857 (38%)	72,818 (81%)	-39,961
AA+	34,110 (40%)	3,224 (4%)	30,886
AA	5,816 (7%)	5,147 (6%)	669
AA-	3,079 (4%)	4,048 (4%)	-969
A+	9,922 (12%)	4,511 (5%)	5,411
A	342 (0%)	5 (0%)	337
A-	–	–	–

Notes: Liquid reserves exclude SDR holdings. Numbers may not add due to rounding. Moody's Investors Service downgraded the U.S. government on May 16, 2025, which is reflected in the 2025-26 Annual Report.

EFA Returns

For risk management purposes, and to provide transparency on the net economic return or cost to the Government of maintaining the EFA, several performance indicators are measured and tracked on a regular basis and reported to senior management at the Department of Finance Canada and the Bank of Canada. In addition, the net revenue of the EFA and corresponding cost of advances to the EFA are reported at book value. An overview of the portfolio's performance is provided below (a more detailed description is provided in Annex 4).

In 2025-26, the EFA earned a positive spread, or net "coupon return", with the US dollar portfolio earning a positive spread of 20 basis points and the euro portfolio earning a positive spread of 38 basis points. This spread represents the difference between the coupon return earned on EFA assets and the coupon paid on EFA liabilities.

Accounting for cash flows and unrealized changes in the market value of assets and liabilities due to changes in interest rates, credit spreads and exchange rates, the EFA reported a total net return of 15 basis points in 2025-26 (or US$154 million), compared to a total net loss of 9 basis points (or -US$81 million) in the previous year.

Given the movements in interest rates and foreign exchange rates globally, the assets held in the EFA generated higher net revenues of C$4,945 million in 2025-26 (Table 5). The cost of advances to the EFA, which represents the estimated economic cost to the Government of financing the EFA, decreased to C$4,161 million.

Table 5
Summary of Main Performance Indicators

	April 1, 2025 to March 31, 2026	April 1, 2024 to March 31, 2025
1) Net revenue of the Exchange Fund Account (C$ millions)	4,945	4,149
2) Cost of advances to the EFA (C$ millions)	4,161	4,225
3) Measures of the net return on assets and liabilities		
Net Coupon return (basis points/US$ millions)	26/329	26/234
Total net return (basis points/US$ millions)	15/154	-9/-81
4) Risk measures (at end of fiscal year)		
Total market risk (99% 10-day VaR, US$ millions)	387	258

Notes: Net revenue and cost of advances are based on actual and forecasted cash payments and receipts. The numbers are presented in Canadian dollars to be consistent with the financial statements. The measures of net return are market-based estimates and are presented in US dollars to be consistent with performance reporting for the EFA. 99% 10-day Value-at-Risk (VaR) measures the potential loss that the portfolio could experience over a 10-day period under normal market conditions, with a 99% level of confidence (i.e., there is a 1% chance that losses would exceed this amount over 10 days). See Annex 4 for further information on performance indicators.

Drivers of Performance

Interest Rates

Interest rate movements affected the value of liquid foreign reserve assets over the fiscal year through changes in market yield. Because the EFA is primarily invested in fixed-income securities, fluctuations in interest rates have a direct impact on portfolio valuations: the value of those securities rises when yields decline and fall when yields increase. Between April 1, 2025, and March 31, 2026, changes in interest rates reduced the market value of liquid foreign reserve assets by approximately US$356 million.

Foreign reserves are managed under an asset-liability matching framework, which helps mitigate the impact of market value fluctuations on the Government's financial position. As a result, declines in the market value of reserve assets resulting from rising interest rates are generally offset by corresponding declines in the value of the associated liabilities. Consistent with this framework, performance attribution results show that the net yield curve effect had only a modest impact on relative performance in 2025-26, contributing 6 basis points in the US dollar portfolio while detracting 4 basis points in the euro portfolio.

Credit Spreads

Credit spreads on fixed-income securities issued by sovereigns, supranational institutions and government agencies evolved throughout the fiscal year in response to changing monetary policy actions and expectations as well as broader economic factors. While the impact of credit spread movements varied across the EFA's currency portfolios, the overall effect was positive. On balance, the narrowing of credit spreads on existing holdings increase their market value relative to comparable sovereign securities of similar maturity. Overall, there was an increase of approximately US$148 million in the market value of reserves due to changes in credit spreads between April 1, 2025 and March 31, 2026.

Exchange Rates

The EFA is reported in US dollars; therefore, movements in exchange rates affect the reported value of reserve assets denominated in other currencies. During 2025-26, the euro and British pound sterling appreciated against the US dollar, while the yen depreciated. The strengthening of the euro was the primary driver of the positive foreign exchange revaluation recorded in the EFA.

Overall, exchange rate movements increased the market value of liquid foreign reserve assets by approximately US$928 million between April 1, 2025, and March 31, 2026. However, because foreign reserves are managed under an asset-liability matching framework, the net impact on the Government's financial position was limited, as the increase in the market value of assets was largely offset by a corresponding increase in the value of the associated liabilities.

The Government of Canada's Statement of Financial Position and Statement of Operations for the EFA is presented in Canadian dollar terms. While the EFA increased by approximately 0.1 per cent in US dollar terms (from US$120 billion to US$121 billion), it decreased by approximately 3.8 per cent in Canadian dollar terms (from C$178 billion to C$171 billion) reflecting the appreciation of the Canadian dollar relative to the US dollar over the fiscal year.

Risk Metrics

Total Market Value at Risk (VaR)—which measures the potential net loss over a 10-trading-day period arising from interest rate, foreign exchange rate, credit and funding spread changes that will not be exceeded 99 per cent of the time—stood at US$387 million as at March 31, 2026, up from US$258 million as at March 31, 2025. This increase reflects higher estimated net market risk exposure at fiscal year-end due to the inclusion of recent periods of heightened market volatility, including tariff-related shocks in the U.S.

The asset-only VaR decreased to US$1,320 million from US$1,746 million in the previous year.

Exchange Fund Account Financing

The foreign currency reserve assets held in the EFA are funded in a cost-effective manner through a framework that mitigates the impacts of movements in interest rates and foreign exchange rates on the Government's fiscal position by matching the funding with the currency, term and/or duration of the reserve assets.

EFA assets are funded by borrowings from a variety of sources (Table 6). During 2025-26, EFA operations were largely financed through cross-currency swaps[4] of domestic obligations and direct foreign currency issuance.

During the fiscal year, there was US$8.7 billion of new foreign currency funding raised through cross-currency swaps, while US$6.5 billion of existing swaps matured. The swaps were executed in US dollars, euros, British pound sterling, and Japanese yen, at various terms, and at a weighted average funding cost equivalent to SOFR plus 25 basis points. Funding costs were higher than in the previous fiscal year, when comparable swaps were completed at an average cost of SOFR plus 15 basis points, reflecting less favourable market conditions and wider funding spreads.

[4] A cross-currency swap agreement is a contract in which one party borrows one currency from another party and simultaneously lends the same value, at current spot rates, of a second currency to that party.

The global bond[5] program is another important funding mechanism for the EFA. Other funding, used to a lesser extent, include a short-term US dollar paper program (Canada bills[6]) and a medium-term note program (notes[7] and euro medium-term notes[8]), which is currently inactive. These funding mechanisms are useful to support diversification for the EFA. No global bonds were issued during the fiscal year. Two global bonds were issued in the previous fiscal year for a total of US$6.5 billion; a portion of that funding served as pre-funding for the 2025-26 fiscal year.

The level of outstanding short-term US dollar commercial paper issued under the Canada bills (C-bill) program was US$2.5 billion at year-end, lower than the US$2.9 billion at the previous year-end. The average commercial paper cost was SOFR minus 2 basis points, compared to SOFR minus 3 basis points in the previous fiscal year.[9] The higher funding cost for the year was largely due to the continued elevated supply of money market instruments by other issuers, leading to slightly less demand for Canada bills.

Table 6
Outstanding Foreign Currency Issues
par value in millions of US dollars

	March 31, 2026	March 31, 2025	Change
Swapped domestic issues	82,827	80,203	2,624
Global bonds	14,000	17,500	-3,500
Canada bills	2,544	2,926	-382
Total	99,371	100,629	-1,258

Notes: Liabilities are stated at the exchange rates prevailing on the given date. Total swapped domestic issues factor in both new and maturing cross-currency swaps during the fiscal year, as well as foreign exchange translation gains or losses to convert to a US dollar equivalent amount. This number excludes net cross-currency swap issuance transacted to fulfill Canada's obligations to the IMF.

International Monetary Fund Programs

As at March 31, 2026, Canada's paid-up quota in the International Monetary Fund (IMF) was SDR 11,024 million, while its SDR holdings totaled SDR 17,261 million (approximately US$14,953 million and US$23,413 million, respectively).

In addition to its quota, the Government of Canada participates in several IMF lending arrangements that affect its official international reserves and support global economic stability and cooperation. These include the

[5] Global bonds are marketable debt instruments issued in a foreign currency with a fixed interest rate. Global bonds are issued through a syndicate of financial institutions and are for foreign exchange reserve funding purposes only.

[6] Promissory notes denominated in US dollars and issued only in book-entry form. Canada bills mature not more than 270 days from their date of issue, and are discount obligations with a minimum order size of US$1,000,000 and a minimum denomination of US$1,000. Delivery and payment occur in same-day funds through Citibank, N.A. in New York City. Rates on Canada bills are posted daily.

[7] Promissory notes usually denominated in US dollars and available in book-entry form. Canada notes are issued in denominations of US$1,000 and integral multiples thereof. Notes can be issued for terms of nine months or longer, and can be issued at a fixed or a floating rate. The interest rate or interest rate formula, issue price, stated maturity, redemption or repayment provisions, and any other terms are established by the Government of Canada at the time of issuance of the notes and are indicated in the Pricing Supplement. Delivery and payment occur through Citibank, N.A. The Government may also sell notes to other dealers or directly to investors. Canada notes are issued for foreign exchange reserve funding purposes only.

[8] Medium-term notes issued anywhere outside the United States and Canada. Government of Canada euro medium-term notes (EMTNs) are sold through dealers acting as a Government agent for particular transactions. Notes issued under this program can be denominated in EFA-eligible currencies and structured to meet investor demand. EMTNs are issued for foreign exchange reserve funding purposes only.

[9] C-bill funding cost is referring to a short-term SOFR rate, while swap funding cost is referring to a SOFR rate based on a longer term. The costs are inherently difficult to compare, as C-bills provide funding for only a short period while swaps lock in funding for a much longer period of time.

multilateral New Arrangements to Borrow (NAB), temporary bilateral borrowing agreements (BBAs), the Resilience and Sustainability Trust (RST), and the Poverty Reduction and Growth Trust (PRGT).

The 16th General Review of Quotas (GRQ) concluded on December 15, 2023 approved a 50% quota increase as well as a corresponding rollback of the NAB. The reform will take effect if the required member consents are received. Canada consented on July 15, 2024, and its quota will increase from SDR 11,024 million (USD 14,953 million) to SDR 16,536 million (USD 22,429 million) upon implementation.

Canada's participation in the New Arrangements to Borrow (NAB) is governed by the 2021 NAB reform, which doubled total NAB resources, and by the subsequent renewal that extended the framework through the end of 2030. As at March 31, 2026, Canada's maximum NAB commitment was SDR 7,747 million (USD 10,508 million), with no amounts outstanding. Subject to the implementation of the 16th GRQ, Canada's NAB commitment will be reduced to SDR 6,486 million (USD 8,798 million).

Canada's participation in bilateral borrowing agreements (BBAs) is governed by the 2020 Note Purchase Agreement, effective January 2021. As at March 31, 2026, Canada's bilateral credit line to the IMF was SDR 3,532 million (USD 4,791 million), with no amounts drawn or outstanding. Any advances under these arrangements would form part of Canada's official international reserves.

Canada, along with certain other IMF member countries, participates in the RST and the PRGT. Loans resulting from these arrangements are considered part of Canada's official international reserves. As at March 31, 2026, Canada's lending commitment stood at the SDR limit of C$2,000 million (established at inception) to the RST and at SDR 2,000 million to the PRGT. Of these underlying frameworks, USD 2,140 million was recorded as other reserve assets, while the overall reserve tranche position in the IMF stood at USD 4,070 million.

Annex 1: Statement of Investment Policy for the Government of Canada (August 2018)

1. Purpose of Policy

The *Statement of Investment Policy for the Government of Canada (*SIP*)* sets out the policy governing the acquisition, management, and divestiture of assets held in the Exchange Fund Account (EFA). The Minister of Finance establishes the SIP under the *Currency Act*.

2. Purposes of Exchange Fund Account

The EFA is the principal repository of Canada's official international reserves. As stated in the *Currency Act,* the purposes of the EFA are to aid in the control and protection of the external value of the Canadian dollar and provide a source of liquidity to the Government. Assets held in the EFA shall be managed to provide liquidity to the Government and to promote orderly conditions for the Canadian dollar in the foreign exchange markets, if required. The liquid foreign currency assets held in the EFA also form a key component of the Government of Canada's prudential liquidity, which is available to meet financial requirements in situations where normal access to funding markets may be disrupted or delayed.

The EFA also facilitates Government of Canada transactions with the International Monetary Fund (IMF) under the IMF Articles of Agreement. These transactions include the provision of freely usable currencies to the IMF, through the purchase and sale of special drawing rights, as well as various transactions relating to Canada's reserve position in the IMF (which does not form part of the EFA).

3. Governance

Part II of the *Currency Act* governs the management of the EFA and allows the Minister of Finance to establish an investment policy for EFA assets. The Minister of Finance may delegate the responsibility for the implementation of the approved policy to officials of the Department of Finance Canada.

The *Bank of Canada Act* provides statutory authority for the Bank of Canada to act as the Government's fiscal agent in the management of the Government of Canada's EFA.

Within the Minister of Finance's delegated authorities, the Funds Management Committee (FMC), composed of senior officials from the Department of Finance Canada and the Bank of Canada (together, "EFA officials"), prepares recommendations for the Minister of Finance and oversees the management of the EFA.

The FMC is supported by a Foreign Reserves Committee (FRC) and a Risk Committee (RC). The FRC oversees the funding of and investment of the foreign reserves and provides strategic and policy advice to the FMC related to the management of foreign reserves. The RC is an advisory body to the FMC that reviews and reports on risk exposures, highlights strategic risk issues the FMC should be aware of and identifies measures to mitigate these risks, and advises on broad risk considerations relevant to funds management activities.

Further information regarding oversight and governance is available within the *Funds Management Governance Framework*.

4. Alignment of EFA Activities with Government of Canada Policy Priorities

4.1 Guiding Principles

The SIP is based on principles that a person of ordinary prudence would apply in dealing with the property of others. The EFA shall be managed according to the fundamental principles of fiscal prudence, transparency and accountability, risk management, effectiveness and efficiency, and financial stability in order to protect the interests of Canadians.

4.2 Fiscal Prudence

The EFA is an account that forms part of the Government of Canada's balance sheet. Recognizing the importance of fiscal prudence and sustainability in public finances, the EFA shall be managed in a cost-effective manner under an asset-liability matching framework, whereby the market value of assets and liabilities are matched to the extent possible by currency, term and/or duration, to mitigate the potentially negative impacts of movements in interest rates and foreign exchange rates on the Government's fiscal position. Credit risks associated with assets and liabilities are not offset under this framework and are therefore addressed by other means (see the appendix).

4.3 Promoting Financial Stability

Canada's international commitments and global regulatory initiatives to support financial stability will be taken into account in conducting EFA activity.

5. Investment Objectives

Consistent with the purpose of the EFA as defined in section 2, maintaining liquidity and preserving capital are the primary objectives for managing the EFA. Accordingly, the EFA shall hold assets that can be sold or otherwise deployed on very short notice with minimal market impact and loss of value in order to maintain a high standard of liquidity. The EFA shall hold a diversified portfolio of fixed-income assets of high credit quality and follow leading risk management practices in order to meet the objective of preserving capital value. The EFA shall be managed to maximize return on investments once the objectives of liquidity and capital preservation are clearly met.

6. Investment Process

The EFA shall be governed by a framework that includes a formalized, top-down investment management style that provides clarity on roles, decision-making authority, and accountability to facilitate the achievement of the EFA's objectives. The Minister of Finance shall establish the risk tolerances of the portfolio through approvals of the Strategic Portfolio Parameters. The FMC shall establish the risk preferences of the portfolio through approval of the Strategic Asset Allocation. The FRC shall establish a benchmark that details asset allocations to individual counterparties deemed eligible for investment.

6.1 Strategic Portfolio Parameters

Strategic Portfolio Parameters for the EFA shall include, but are not limited to, the level of reserves, criteria for currency and asset class eligibility based on liquidity and capital preservation considerations, and portfolio risk limits. The Strategic Portfolio Parameters are included in the appendix. The Minister of Finance may except the liquid assets held in the EFA from the application of some or all the Strategic Portfolio Parameters where any of these assets are: (i) sold to provide foreign currency liquidity to the Government; (ii) sold to promote orderly conditions for the Canadian dollar in the foreign exchange markets; or (iii) sold in other similar circumstances.

6.2 Strategic Asset Allocation

The Strategic Asset Allocation shall direct the asset allocation of the portfolio in a manner that is consistent with meeting the EFA's objectives. The Strategic Asset Allocation shall provide a framework to inform the investment decision-making process and to measure progress toward achieving the EFA's objectives of maintaining liquidity and preserving capital.

6.3 Investment Benchmark

The Investment Benchmark shall be established by the FRC. It will specify investment exposures to eligible counterparties while adhering to the Strategic Portfolio Parameters (6.1) and in a manner consistent with achieving the Strategic Asset Allocation (6.2).

7. Securities Lending and Use of Derivatives

In order to meet the objectives of the EFA, officials may acquire or borrow assets, sell or lend those assets, and undertake related activities for the purposes of executing those transactions. Short sales are prohibited.

EFA officials shall only use derivatives and undertake related activities in a manner that is consistent with the objectives of the EFA of preserving capital value, maintaining a high standard of liquidity and, subject to these, optimizing returns.

8. Performance Assessment and Risk Management Reporting

EFA officials shall be responsible for measuring and monitoring the performance and risk exposures of the EFA and tracking these positions against the Strategic Asset Allocation and other appropriate indices and providing regular reports to senior officials and the Minister of Finance.

Performance and risk measures shall be consistent with leading practices and provide timely and accurate information on the returns on EFA assets, the cost of associated liabilities and the relevant financial risks. An explanation of these measures can be found in the *Government of Canada Treasury Risk Management Framework*.

8.1 Public Reporting

The *Currency Act* requires annual reporting to Parliament on whether the objectives of the EFA have been met. This is accomplished through the annual reporting of the EFA's performance in the *Report on the Management of Canada's Official International Reserves*. In addition, the Minister of Finance provides monthly updates on the performance of the EFA, in accordance with the IMF's General Data Dissemination System standards.

The *Financial Administration Act* requires annual reporting to Parliament on the funding associated with the investments.

8.2 Commercial Confidentiality

Notwithstanding the requirement to provide timely and comprehensive information on the EFA to Canadians, the names of individual counterparties or the securities held in the EFA shall not be disclosed for reasons of financial stability and commercial confidentiality.

9. Review

The SIP shall be reviewed regularly. Until the Minister of Finance otherwise amends and approves the SIP and the governance and risk management frameworks, they shall remain in effect.

Appendix: Strategic Portfolio Parameters (August 2018)

The following Strategic Portfolio Parameters have been established to ensure that the liquid assets held in the EFA meet the primary objectives of maintaining liquidity and preserving capital. The parameters define eligible investments for the EFA and specify limits to protect the liquidity and capital value of EFA investments.

Liquidity Risk Tolerances

Liquidity risk tolerances have been established to ensure that a suitable level of EFA investments that can be readily sold during volatile market conditions is available to the Government at all times in the event that regular channels of financing are temporarily unavailable.

1. Level of Liquid Foreign Reserves

Liquid foreign reserves are held to safeguard Canada's ability to meet payment obligations in situations where normal access to funding markets may be disrupted or delayed and to support investor confidence in securities issued by the Government of Canada.

- The level for the total market value of all foreign currency-denominated investments must be maintained at or above 3 per cent of Canada's annual nominal gross domestic product.
- The composition of liquid assets shall adhere to the requirements detailed in the Government's Prudential Liquidity Plan and foreign exchange intervention framework.

2. US Dollar Holdings

Currency interventions to support orderly conditions for the Canadian dollar in the foreign exchange markets are likely to involve sales of US dollars to purchase Canadian dollars, highlighting the importance of owning the most liquid US dollar-denominated assets. Thus, at least 50 per cent of liquid foreign reserves,[10] measured on a market-value basis, must be denominated in US dollars.

As a contingency against a short-term interruption of domestic funding markets, at least 6 per cent of liquid foreign reserves on a market-value basis shall comprise U.S. Treasury bills and US dollar cash.

[10] Liquid foreign reserves comprise foreign currency securities, and deposits. Special drawing rights, which are international reserve assets created by the International Monetary Fund, are excluded in the definition of liquid foreign reserves, although they form part of the EFA.

3. Eligible Assets

Liquid foreign reserves shall be readily available to be sold or otherwise deployed with limited price impact to meet the Government's foreign currency requirements.

- Eligible assets include fixed-income securities issued by sovereigns (including central banks and government-related entities), sovereign-supported issuers, sub-sovereign entities,[11] and supranational institutions.
- Eligible assets also include deposits with commercial banks, central banks and the Bank for International Settlements, repurchase agreements, commercial paper and certificates of deposit issued by private sector entities, gold and International Monetary Fund (IMF) special drawing rights. Bonds with embedded options and holdings of securities issued by and deposits with Canadian-domiciled entities (or entities that derive a majority of their revenues from their Canadian operations) are not permitted.
- All other classes of assets not listed in this appendix are prohibited.

4. Exposure to Issuers

Three categories of asset issuers have been defined for the EFA:

i. **Reference Issuers:** These are government issuers of securities that are deemed by Canada to have reserve currency status and are actively traded, including cash.
   - The minimum exposure to this category is 35 per cent of liquid foreign reserves on a market-value basis.

ii. **High Credit Quality Issuers:** These issuers are deemed by Canada to be of very high credit quality.

iii. **Other Issuers:** These issuers are high credit quality sovereigns and other entities that meet Canada's liquidity and capital preservation requirements.

Capital Preservation Risk Tolerances

Capital preservation risk tolerances have been established to ensure that the market value of EFA assets will be relatively well-preserved during times of market stress.

1. Maximum Term to Maturity

The term to maturity of individual assets is an important consideration since the value of longer-term fixed-income securities is generally more sensitive than the value of shorter-term fixed-income securities to movements in interest rates. In addition, in many instances longer-term securities are less liquid than shorter-term securities of the same issuer denominated in the same currency. Limiting the maximum term to maturity of assets aids in preserving the liquidity and capital value of assets that can be sold or otherwise deployed.

- The maximum term to maturity of individual assets held in the EFA is 10.5 years.

[11] Sub-sovereigns are defined as levels of government within a sovereign territory, and hierarchically below the sovereign. For example, this could include, but is not limited to, states, provinces or municipalities within a sovereign.

2. Other Eligible Currencies

To meet liquidity requirements and mitigate currency concentration risk, assets held as part of the liquid foreign reserves can be denominated in currencies other than US dollars, whose reference issuers satisfy the established liquidity and capital preservation constraints.

Other eligible currencies include euros, British pounds and Japanese yen. In order to meet the Government's international commitments, assets can also be denominated in IMF special drawing rights.

3. Minimum Credit Rating for Issuers of Eligible Assets and Counterparties

In order to mitigate the negative impact of potential credit events on the Government's financial risk exposure related to the EFA, issuers of eligible assets and counterparties must be of acceptable credit quality, a determination that is informed by external credit ratings and internal credit analysis.

- Issuers must be deemed by Canada to have a credit rating of "A-" or higher.
- Counterparties for deposits, certificates of deposit, commercial paper and repurchase agreements must be deemed by Canada to have a credit rating of "A-" or higher.
- Counterparties for swaps and delivery-versus-payment transactions must be deemed by Canada to have a credit rating of "BBB" or higher.
- Reference issuers of securities that are deemed to have reserve currency status and are actively traded are exempt from the minimum credit rating requirement, since they are deemed to be the primary issuer of eligible securities in their local currency.
- The only allowable unrated investments are the following:
    - securities issued by, and deposits with, central banks where the sovereign's credit quality is acceptable; and
    - special drawing rights created by the International Monetary Fund.

4. Credit and Market Risk

The market value of liquid foreign reserve assets can be preserved by managing credit and market risks. An asset-liability matching framework, whereby the market value of assets and liabilities are matched by currency, term, and/or duration, is used to manage adverse impacts of changes in interest and foreign exchange rates on the Government's fiscal balance. Metrics such as Value at Risk, which measure the maximum potential loss the portfolio could suffer over a given period at a given confidence level, shall be monitored by senior officials to ensure the potential negative impacts of credit and market risk are managed within acceptable levels.

Annex 2: Overview of the Exchange Fund Account Management Framework

Objectives

As stated in the *Currency Act,* the purposes of the EFA are to aid in the control and protection of the external value of the Canadian dollar and provide a source of liquidity to the Government. Assets held in the EFA shall be managed to provide liquidity to the Government and to promote orderly conditions for the Canadian dollar in the foreign exchange markets, if required. The liquid foreign currency assets held in the Exchange Fund Account (EFA) also form a key component of the Government of Canada's prudential liquidity, which is available to meet financial requirements in situations where normal access to funding markets may be disrupted or delayed.

The EFA, which represents the largest component of the foreign reserves, is an actively managed portfolio of liquid foreign currency securities and deposits. The key strategic objectives of the EFA are to maintain a high standard of liquidity, preserve capital value and optimize return subject to the liquidity and capital preservation objectives.

Principles

In pursuit of these objectives, the Government of Canada manages its foreign exchange reserves according to the following principles:

- **Effectiveness and efficiency:** Policy development and operations shall take into account, to the extent possible, leading practices of other comparable sovereigns. Regular evaluations shall be conducted to ensure the effectiveness and efficiency of the governance framework and borrowing and investing programs.
- **Transparency and accountability:** Information on investment and funding plans, activities and outcomes shall be made publicly available in a timely manner. Borrowing costs, investment performance and material exposures to financial risk shall be measured, monitored, controlled and regularly reported, as applicable.
- **Risk management:** Risk monitoring and oversight shall be independent of financial asset and liability management operations.
- **Fiscal prudence:** The EFA is an account that forms part of the Government of Canada's balance sheet. Recognizing the importance of fiscal prudence and sustainability in public finances, the EFA shall be funded in a cost-effective manner through a funding framework that mitigates the potentially negative impacts of movements in interest rates and foreign exchange rates on the Government's fiscal position by matching the funding with the currency, term and/or duration of the reserve assets. Credit risks associated with assets and liabilities are not offset under this framework and shall be addressed by other means.
- **Financial stability:** The EFA is an account that supports Canada's preparedness for financial contingencies. As a result, the management of the EFA shall take into account Canada's international commitments and global regulatory initiatives to support financial stability.

For a complete description of the governance framework for managing the Government of Canada's financial assets and liabilities, see https://www.canada.ca/en/department-finance/programs/frameworks/funds-management-governance-framework/framework.html.

Annex 3: Changes in the Level of the Official International Reserves

The level of the official international liquid reserves changes over time due to a variety of factors. As shown in Table A3.1, over the 12-month reporting period the level of reserves increased by US$764 million. The increase was due to a positive return on investment (US$3,963 million) and revaluation effects (US$1,490 million), which were partially offset by reserve management operations (-US$1,657 million) and foreign currency debt charges (US$3,033 million).

Table A3.1

Sources of Change in Canada's Official International Reserves Between March 31, 2025 and March 31, 2026

market value in millions of US dollars

	Change
Official intervention	–
Net government operations	0
Reserves management operations	-1,657
Return on investments	3,963
Foreign currency debt charges	-3,033
Revaluation effects	1,490
Other transactions	0
Total change	764

Official Intervention

Official intervention involves buying or selling foreign currencies in exchange for Canadian dollars and would therefore affect the level of the official international reserves. Intervention in the foreign exchange markets for the Canadian dollar might be considered if there were signs of a serious near-term market breakdown (e.g., extreme price volatility with buyers and/or sellers increasingly unwilling to transact), indicating a severe lack of liquidity in the Canadian-dollar market. It might also be considered if extreme currency movements seriously threatened the conditions that support sustainable long-term growth of the Canadian economy. The goal would be to help stabilize the currency and to signal a commitment to back up the intervention with further policy actions, as necessary.

Since September 1998, the Bank of Canada has not undertaken any foreign exchange market intervention in the form of either purchases or sales of US dollars versus the Canadian dollar.[12,13]

Net Government Operations

During 2025-26, the Government did not undertake any operations to sell liquid reserve assets to address a mismatch in the market value of the asset and liability portfolios. When performed, these sales are in accordance with the principles of managing the liquid foreign reserves portfolio under an asset-liability matching framework.

[12] In March 2011, the Bank of Canada, acting as Canada's fiscal agent, joined central banks in the United States, Europe and Japan in a concerted intervention to stabilize the Japanese currency by selling yen in an amount equivalent to US$124 million (C$120 million).

[13] Official intervention is separate from net purchases of foreign currency for government foreign exchange requirements and for additions to reserves.

Reserves Management Operations

Reserves management operations refer to the net change in securities and deposits resulting from foreign currency funding activities of the Government. The purchase and sale of foreign currency assets along with the issuance and maturity of debt used to fund those assets totalled -US$1,657 million.

Over the reporting period, funds raised through the issuance of bonds, foreign exchange swaps, cross-currency swaps, and Canada bills, totalling US$28 billion, was lower than debt maturities totalling US$30 billion (including Canada bill maturities of US$19.9 billion and cross-currency swap maturities of US$6.6 billion).

Return on Investments

Return on investments comprises interest earned on investments (US$3,669 million) and an increase in the market value of securities (US$294 million). The overall effect on the official international reserves was a net return of US $3,963 million.

Foreign Currency Debt Charges

Foreign currency debt charges are interest paid on foreign currency liabilities used to fund EFA investments (-US$3,033 million).

Revaluation Effects

Revaluation effects resulting from movements in exchange rates reflect changes in the market value of the official international reserves. Revaluation effects led to an increase in the market value of the official international reserves of US$1,490 million, with the strengthening of the euro being the primary driver of the positive foreign exchange revaluation recorded in the EFA.

International Monetary Fund Reserve Position

Each member country of the International Monetary Fund (IMF) is assigned a quota that represents the maximum amount of resources that it is obliged to provide to the IMF, upon request. As well, the IMF typically has on deposit with each government, holdings in the form of non-interest-bearing notes and non-interest-bearing accounts. Canada's reserve position at the IMF represents the difference between Canada's quota and the IMF's holdings of Canadian dollars, which is equivalent to the cumulative amount of all the money that Canada has advanced to the IMF over the years.

Canada's reserve position at the IMF is an asset that is included as a component of the official international reserves but is not held in the EFA. As such, changes in Canada's reserve position that may result from advances, repayments or revaluations directly impact the Government of Canada's consolidated financial statements. During 2025-26 the IMF reserve position increased over the previous fiscal year.

Detailed information on monthly levels and changes in Canada's official international reserves is provided in Table A3.2.

Table A3.2

Canada's Official International Reserves

Month-to-Month Changes

market value in millions of US dollars

Month-end	Securities	Deposits	Special drawing rights[1]	Reserve position in the IMF[2]	Other reserve assets	Total	Total monthly change
2025							
March	89,827	7,953	22,669	3,666	1,877	125,992	6,397
2025-26							
April	86,314	9,500	23,031	3,968	1,916	124,728	-1,264
May	85,212	10,877	23,094	3,937	1,917	125,036	308
June	85,840	12,689	23,271	3,967	2,097	127,864	2,828
July	86,178	11,429	22,878	3,950	2,138	126,573	-1,291
August	88,157	10,257	23,313	3,990	2,160	127,877	1,304
September	88,515	8,626	23,328	3,930	2,161	126,560	-1,317
October	92,011	7,665	23,111	3,898	2,144	128,829	2,269
November	91,765	6,843	23,145	3,898	2,144	127,795	-1,034
December	88,300	10,096	23,331	3,899	2,161	127,787	-8
January	89,390	9,534	23,542	4,052	2,181	128,699	912
February	88,555	9,523	23,730	4,153	2,169	128,130	-569
March	86,125	11,007	23,413	4,070	2,140	126,755	-1,375
Total	n/a	n/a	n/a	n/a		n/a	763

Note: Numbers are from the *Official International Reserves* press release.

[1] SDR-denominated assets are valued in US dollars at the SDR rate established by the IMF. A rise in the SDR in terms of the US dollar generates an increase in the US dollar value of Canada's holdings of SDR-denominated assets.

[2] The reserve position in the IMF represents the amount of foreign exchange that Canada is entitled to draw from the IMF on demand for balance of payments purposes. It equals the Canadian quota, less IMF holdings of Canadian dollars. Loans to the IMF such as the RST and PRGT are included in "Other reserve assets" and any future NAB or BBA drawings would be included in the reserve position in the IMF.

Annex 4: Detailed Portfolio Return and Performance

Unless otherwise noted, the official international reserves are reported in US dollars on a market-value settled basis. This annex provides detailed technical information on indicators used to measure the portfolio's performance in four areas: 1) revenues; 2) net return on assets; 3) cost of advances to the EFA; and 4) market and credit risk measures.

1) Revenues

Revenues include income from investments and foreign exchange gains. Data are reported in Canadian dollars, as EFA revenues are reported in Canadian dollars in the attached financial statements. In 2025-26 net revenue totalled C$4,945 million compared to C$4,149 million in 2024-25. The main categories of revenue are summarized in Table A4.1.

Table A4.1
Revenues of the Exchange Fund Account
(in millions of Canadian dollars)

	April 1, 2025 to March 31, 2026	April 1, 2024 to March 31, 2025
Net revenue from investments		
Marketable securities	3,171	2,840
Interest on deposits held in the Account	485	712
Interest on special drawing rights	910	1,144
Total net revenue from investments	4,566	4,696
Other		
Net foreign exchange gain (loss)	379	(547)
Net revenue for the year	4,945	4,149

2) Total Net Return on Assets

The net return on assets of the EFA is reported using a measure called "total return". It represents the net return generated by the EFA, including the changes in the market values of the assets and liabilities over the reporting period. By including the market or fair values of the EFA's assets and corresponding liabilities, the total return measure includes unrealized gains or losses, which is the difference between what an asset (or liability) is worth compared to what it cost.

Total Return on a Market-Value Basis

The total return measure is used in several different ways. It is used to compare the performance of the EFA's assets to its liabilities in order to depict the net return of the portfolio on a market-value basis. It is also used to decompose the EFA into the key sources of return. This is done by decomposing the total return measures for both the assets and liabilities through a technique called "performance attribution". Performance attribution identifies the portion of total return attributable to controllable factors versus market-driven factors. As well, it provides an indication of how well objectives of the asset-liability management framework of the EFA are being met. Table A4.2 provides an estimate of the total return on a market-value basis for the EFA as a whole and its key portfolios compared to the corresponding liabilities.

The total net return of the EFA was 15 basis points, or approximately US$154 million, in the fiscal year ended March 31, 2026, compared to a total net loss of 9 basis points, or US$81 million, in the fiscal year ended March 31, 2025. The total return was supported by positive coupon returns across all portfolios, with foreign exchange translation also contributing to the euro and British pound portfolio returns in US dollar terms. The total return numbers include interest flows as well as gains or losses earned over the period, regardless of whether they were realized or not. The total return of the asset portfolio was 4.39 per cent compared to 4.47 per cent for the benchmark.

Table A4.2
Total Return of the EFA Compared to Liability Benchmarks

	April 1, 2025 to March 31, 2026						April 1, 2024 to March 31, 2025
	US$ portfolio	**Euro portfolio**	**GBP portfolio**	**Yen portfolio**	**Total EFA**	**Total benchmark**	**Total EFA**
EFA asset portfolio							
Return in original currency	4.34%	1.39%	3.43%	-3.10%	n/a	4.47%	n/a
Return in US$ (A)	4.34%	8.35%	5.96%	-8.43%	4.39%		4.55%
Liability benchmarks							
Return in original currency	4.18%	1.01%	3.38%	-2.62%	n/a		n/a
Return in US$ (B)	4.18%	7.94%	5.91%	-7.98%	4.24%		4.64%
Return vs. liability benchmark in basis points (A – B) in US$	16	41	5	-45	15	0	-9

Performance Attribution of Total Return

Table A4.3 summarizes the attribution results for the EFA's US dollar and euro portfolios for the fiscal year ended March 31, 2026. Total return is decomposed into three underlying return components: coupon return effect, yield curve effect (including convexity) and the spread effect.

For 2025-26, the attribution results indicate that coupon return was the main positive contributor to returns in the EFA's US dollar and euro portfolios. The coupon effect contributed positively to return in both portfolios, adding 20 basis points in the US dollar portfolio and 38 basis points in the euro portfolio. Yield curve effects had a more modest impact on relative performance, contributing 6 basis points in the US dollar portfolio and a detracting 4 basis points in the euro portfolio. Spread effects were also moderate, reducing relative performance by 4 basis points in the US dollar portfolio while adding 8 basis points in the euro portfolio.[14,15]

[14] The spread effect measures the difference between changes in the market value of EFA assets and the corresponding liabilities arising from movements in swap spreads as well as in the credit quality of EFA issuers relative to Canada. This effect is transitory to the extent that assets are held to maturity.

[15] A significant portion of the EFA is funded by converting Canadian dollars into foreign currency via cross-currency swaps. The Canadian dollars used in these transactions are advanced from the Consolidated Revenue Fund and are offset by the Canadian dollar-denominated leg of the cross-currency swap. Estimates on the performance of these Canadian dollar components of the cross-currency swap funding structure are excluded from this report. Although cashflow matched, the two components can exhibit valuation differences during the life of the cross-currency swap that result in temporary unrealized gains or losses that will revert by the maturity date of each transaction.

Table A4.3

Performance Attribution for the US Dollar and Euro Portfolios Compared to Liability Benchmarks
April 1, 2025 to March 31, 2026

per cent

	US$ portfolio			Euro portfolio		
	Assets	**Liabilities**	**Difference**	**Assets**	**Liabilities**	**Difference**
Coupon return	3.98	3.78	0.20	2.58	2.20	0.38
Yield curve effect	0.27	0.21	0.06	-1.55	-1.51	-0.04
Spread effect	0.13	0.17	-0.04	0.40	0.32	0.08
Residual return	-0.05	0.03	-0.08	-0.03	0.00	-0.03
Return in original currency	4.34	4.18	0.16	1.39	1.01	0.38
Exchange rate effect				6.96	6.93	0.03
Total return in US$	4.34	4.18	0.16	8.35	7.94	0.41

Note: Numbers may not add due to rounding

3) Notional Cost of Advances to the EFA

From the Consolidated Revenue Fund

The cost of advances estimates the cost of maintaining the EFA by adding the cost of foreign debt payments (including the interest on cross-currency swaps) to the notional amount of foreign interest that would be paid on non-interest-bearing items or items funded in Canadian dollars. For 2025-26, the cost of advances to the EFA was C$4,161 million. EFA advances represent funds (liabilities) from the Consolidated Revenue Fund (CRF) in support of maintaining the EFA. The EFA is a stand-alone account of assets while foreign liabilities are recorded in the Department of Finance account.

Actual foreign interest charges: The proceeds from foreign currency borrowings are remitted to the CRF and concurrently advanced to the EFA. Foreign debt interest and principal repayments are charged to the CRF but are paid using the foreign assets of the EFA, reducing the amount advanced to the EFA. Actual foreign interest paid is converted into Canadian currency for the purpose of determining this portion of the notional cost of advances; for 2025-26 this value was C$3,573 million.

Notional interest charged in Canadian dollars: Because domestically funded EFA assets, SDR advances and the portion of net revenues reinvested in the EFA (i.e., cumulative net revenues of the EFA less cumulative foreign debt interest payments) are not linked to foreign liabilities, an imputed interest cost is used to approximate the notional interest charge on the portion of advances from the CRF related to those assets. For 2025-26, a weighted cost of domestic and foreign funding (2.69 per cent, down from 2.76 per cent in 2024-25) was used in calculating notional interest paid in Canadian dollars, resulting in a value of C$588 million.

4) Risk Measures

The risk management framework covers market, credit, liquidity, legal and operational risks related to the financing and investment of the foreign reserves. Risk measures are reported monthly to management at the Department of Finance Canada and the Bank of Canada.

Market Risk

Market risk stems from changes in interest rates, credit spreads and exchange rates. Several industry-standard measures of market risk exposure are employed: scenario analysis, stress testing and Value at Risk (VaR) (Table A4.4). Stress testing and scenario analysis are used to evaluate the portfolio's performance under extraordinary circumstances in the market. VaR is a statistical measure for estimating potential losses to the EFA portfolio arising from extreme but plausible market movements such as changes in interest and exchange rates.

Stress tests are regularly carried out to gauge the sensitivity of the EFA portfolio to large changes in exchange rates and interest rates, including the portfolio impact of a 1 per cent depreciation of the euro, British pound, and yen vis-à-vis the US dollar and an increase in interest rates across the yield curve of 3 percentage points. In addition, a stress test of cross-currency basis rates is performed. The results showed that, during the reporting period, the EFA assets and the associated liabilities (on a net basis) had very minimal exposure to currency depreciations and upward shifts in the yield curve.

In addition, some hypothetical scenario analyses that mimic market conditions during four previous extraordinary market events were regularly conducted: the 2008 financial crisis, the 2010 European debt crisis, the 2011 Japan earthquake and Brexit in 2016. The scenario analyses showed that the EFA would generally perform well during such periods of market turbulence.

Total Market VaR is regularly reported for the entire EFA portfolio and on the net position of assets and liabilities. As at March 31, 2026, the EFA had a 99-per-cent 10-trading-day Total Market VaR of US$387 million, which implied that 99 per cent of the time, the value of the portfolio was not expected to decline by more than US$387 million, on a net basis, over a 10-trading-day period. The asset-only VaR measure estimates the possible loss in the value of EFA assets within a 10-trading-day period during normal market conditions as a result of interest rate, exchange rate and credit spread changes. As at March 31, 2026, the Asset VaR was US$1,320 million.

Table A4.4

Market Risk Measures

(in millions of US dollars)

	March 31, 2026		March 31, 2025	
	Assets only	**Assets vs. liabilities (net)**	**Assets only**	**Assets vs. liabilities (net)**
Single factor stress tests				
1% depreciation of euro, GBP and yen	-291	-4	-277	-4
Upward parallel shift in yield curve of 3%	-9,461	-461	-9,076	-2
Cross-currency basis shock	0	-593	0	-493
Scenario analyses				
2008 financial crisis	139	-935	475	-517
2010 European debt crisis	-3,402	317	-3,880	37
2011 Japan earthquake	188	-184	141	-119
2016 Brexit	-37	-114	62	-13
99% 10-day Total Market VaR		387		258
99% 10-day Asset VaR	1,320		1,746	

Credit Risk

Credit risk includes the risk that a counterparty or issuer will be unable or unwilling to meet their obligations to pay as well as the risk that the value of an instrument will change as a result of actual or perceived changes in the credit quality of a counterparty or issuer.

A collateral management framework is used for managing the credit risk of financial institution counterparties arising from the cross-currency swaps used to fund the EFA. Under this framework, Independent Amount, composed of high-quality collateral, is pledged by the swap counterparties for the EFA at the initiation of the swap. In addition, Variation Margin is received or paid based on whether the market value of the swaps with each counterparty is positive or negative to the Government of Canada. The Government relies on a collateral manager and the Bank of Canada for the daily management of Independent Amount and Variation Margin.

Annex 5: List of Agents and Mandataries as Defined by the *Currency Act*

The *Currency Act* stipulates that this report include a list of the following agents and mandataries appointed by the Minister under subsection 17.2(3) of the Act to perform services concerning the EFA.

Bank of Canada

The Bank of Canada, as specified under the *Bank of Canada Act*, is the fiscal agent for the Government of Canada. As part of its fiscal agency responsibilities, the Bank manages the Government's foreign exchange reserves.

RBC Investor Services Trust and State Street Corporation

RBC Investor Services Trust and State Street Corporation manage the securities-lending program for the EFA. As the Government's agents and mandataries, they carry out securities lending on behalf of the Government. The program involves loaning a security from the Government to a counterparty, who must eventually return the same security, in order to earn additional return on the portfolio.

State Street Trust Company Canada, together with State Street Bank and Trust Company

State Street Trust Company Canada, together with State Street Bank and Trust Company, is responsible for managing the collateral pledged in connection with foreign exchange swaps and cross-currency swaps.

Unaudited Statement of Financial Position and Statement of Operations of the Exchange Fund Account

Year ended March 31, 2026

Statement of Financial Position (unaudited) as at March 31
(in millions of Canadian dollars)

	2026	2025
Financial Assets		
Deposits held in the Account (Note 3)	15,316	11,441
Due from Broker	109	-
Investments (Note 3)		
Marketable securities	122,761	133,375
Special drawing rights	32,718	32,775
Total investments	155,479	166,150
Total financial assets	170,904	177,591
Liabilities		
Due to Broker	-	316
Due to the Consolidated Revenue Fund (Note 5)	170,904	177,275
Total liabilities	170,904	177,591

The accompanying notes are an integral part of these financial statements.

Nick Leswick
Deputy Minister
Department of Finance Canada

Christopher Veilleux
Chief Financial Officer
Department of Finance Canada

Statement of Operations *(unaudited)* for the year ended March 31
(in millions of Canadian dollars)

	2026	2025
Net revenue from investments		
Marketable securities		
Interest	3,553	3,587
Net loss on sale of marketable securities	(379)	(744)
Transaction costs and other	(3)	(3)
Interest on deposits held in the Account	485	712
Interest on special drawing rights	910	1,144
Total net revenue from investments	4,566	4,696
Other		
Net foreign exchange gain (loss)	379	(547)
Net revenue for the year (Note 2, 5)	4,945	4,149

The accompanying notes are an integral part of these financial statements.

Notes to the Statement of Financial Position and Statement of Operations for the year ended March 31, 2026 *(unaudited)*

1. Authority and Objectives

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act*. The Account is in the name of the Minister of Finance and is administered by the Bank of Canada (the Bank) as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The legislative purposes of the Account, as specified in the *Currency Act*, are to aid in the control and protection of the external value of the Canadian dollar and to provide a source of liquidity for the Government of Canada (the Government), if required. Under the *Currency Act*, the Minister of Finance has the authority to acquire, borrow, sell or lend assets held in the Account deemed appropriate for these purposes, in accordance with the *Statement of Investment Policy* for the Government of Canada.

Assets held in the Account are managed to aid in the control and protection of the external value of the monetary unit of Canada and to provide a source of liquidity to the Government, if required. Canada's current policy is to intervene in foreign exchange markets on a discretionary, rather than a systematic, basis and only in the most exceptional of circumstances. Since September 1998, the Bank has not undertaken any foreign exchange market intervention in the form of either purchases or sales of US dollar versus the Canadian dollar.

In accordance with the *Currency Act*, within three months after the end of the fiscal year the net revenue for the year is paid to the Consolidated Revenue Fund (CRF) of the Government if the amount is positive, or charged to the CRF if the amount is negative. The net income of the Account is calculated in accordance with Section 20(2) of the *Currency Act*. The Minister of Finance reports to Parliament on the operations of the Account within the first 60 days in which Parliament is sitting after the end of the fiscal year. These statements have been prepared by the Department of Finance.

2. Significant accounting policies

As stipulated in the *Currency Act*, the financial statements of the Account are prepared in a manner consistent with the accounting policies used by the Government to prepare its financial statements.

a) Revenue recognition

Revenue from investments is recognized on an accrual basis and includes interest earned (including the amortization of premiums and discounts) using the effective interest method, gains or losses on sales of securities, and revenues from securities-lending activities. Interest accrued on short-term deposits, deposits held under repurchase agreements, marketable securities, and special drawing rights (SDRs) is measured using the effective interest method.

b) Expense recognition

The Account’s administrative, custodial, and fiscal agency services are provided and paid for by the Bank and the Department of Finance. These costs have not been recognized in the Statements.

In addition, the notional cost of the funding of the Account’s assets and advances from the CRF is not recognized in these statements.

c) Financial assets

Deposits held in the Account

Deposits held in the Account consists of cash on hand and short-term deposits. Short-term deposits are measured at amortized cost and are generally held to maturity. The resulting revenue is included in Interest on deposits held in the Account using the effective interest method.

Marketable securities

Marketable securities are mainly comprised of sovereign, sovereign-linked and supranational issued securities, including, but not limited to treasury bills and nominal bonds. Purchases and sales of securities are recognized at the trade date. Marketable securities are measured at amortized cost and are adjusted for the amortization of purchase discounts and premiums using the effective interest method over the term to maturity of the security. The carrying amount of marketable securities includes accrued interest.

On derecognition of a security, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in Net revenue from investments in the Statement of Operations.

Impairment

The Bank assesses at the end of each reporting period whether there has been a loss in the carrying value of short-term deposits, deposits held under repurchase agreements, and marketable securities. When conditions indicate that the decline in value is other-than temporary, these assets are re-measured at their recoverable amount with the amount of the impairment loss recognized in Net revenue from investments in the Statement of Operations.

Securities-lending program

Under the securities-lending program, the Account has agency agreements with two major financial institutions. Loans of securities are conducted on behalf of the Account by these agents, who guarantee the loans and obtain collateral of equal or greater value from approved counterparties. These transactions can range from 1 to 31 days in duration. The securities loaned continue to be accounted for as investment assets. Income on securities-lending transactions is included in Interest in the Statement of Operations.

Special drawing rights

Special drawing rights (SDRs) serve as the unit of account for the International Monetary Fund (IMF). The value of SDRs is based on a "basket" of five major currencies: the euro, the US dollar, the British pound sterling, the Japanese yen, and the Chinese renminbi.

SDRs are initially recognized at cost and are subsequently re-measured at each reporting date into Canadian dollars at market exchange rates.

Translation of foreign currencies and SDRs

Assets denominated in foreign currencies and SDRs are translated into Canadian-dollar equivalents at the rates prevailing as at March 31, which were as follows:

	2026	2025
US dollars	1.3914	1.4385
Euros	1.6082	1.5558
Japanese yen	0.0088	0.0096
British pounds sterling	1.8417	1.8585
SDRs	1.8873	1.9113

Gains or losses resulting from the translation of assets and advances from the CRF denominated in foreign currencies and SDRs, as well as from transactions throughout the year, are recognized as Net foreign exchange gain (loss) in the Statement of Operations.

Investment revenue in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the revenue is earned.

d) Use of estimates and measurement uncertainty

The preparation of these statements requires the Bank's management to make estimates and assumptions based on information available as at the date of the Statements. Significant judgements and estimates are primarily applied in the determination of whether an impairment exists and in the measurement of fair value where quoted prices do not exist (Note 3).

3. Financial instruments

Fair value of financial assets
(in millions of Canadian dollars)

	March 31, 2026		March 31, 2025	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Deposits held in the Account				
US dollars	7,088	7,088	8,706	8,706
Euros	316	316	107	107
Japanese yen	366	366	282	282
British pounds sterling	136	136	743	743
Short-term deposits in USD	7,410	7,410	1,603	1,603
Total deposits held in the Account	15,316	15,316	11,441	11,441
Due from Broker	109	109	-	-
Investments				
Marketable securities				
US dollars	81,108	79,735	92,964	90,633
Euros	21,891	21,099	20,299	19,423
Japanese yen	8,845	8,317	6,517	6,274
British pounds sterling	10,917	10,587	13,595	13,202
Total marketable securities	122,761	119,738	133,375	129,532
SDRs	32,718	32,718	32,775	32,775
Total investments	155,479	152,456	166,150	162,307
Total financial assets	170,904	167,881	177,591	173,748

The estimated fair values of marketable securities are based on quoted market prices and include accrued interest. If such prices are not available, the fair value is determined by discounting future cash flows using an appropriate yield curve. During the year, and in the prior year, no marketable securities were written down to reflect an other-than temporary impairment in value.

The fair values of financial instruments are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1

Unadjusted quoted prices in active markets for identical assets or liabilities, which represent actual and regularly occurring arm's-length market transactions

Level 2

Inputs other than quoted prices included in Level 1, which are observable for the assets or liabilities either directly (e.g., prices for similar instruments, prices from inactive markets) or indirectly (e.g., interest rates, credit spreads)

Level 3

Unobservable inputs for the assets or liabilities that are not based on observable market data as a result of inactive markets (e.g., market participant assumptions).

Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in a current arm's-length transaction between knowledgeable, willing parties. The fair value hierarchy requires the use of observable market inputs wherever such inputs exist. In measuring fair value, a financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered.

The fair values disclosed for all financial assets are classified as Level 2 instruments in the fair value hierarchy. The fair value measurement of securities is based on observable inputs from market data and implied valuations. This method does not rely on solely quoted prices nor consider all factors that market participants would consider in setting a price. There were no transfers of securities between levels during the period.

Collateral pledged

As part of its operations, the Account is required to pledge collateral in respect to credit facilities granted by its European clearing house. Collateral pledged must have a fair value of a minimum of US$250 million, post a reduction applied to the value of an asset commensurate with its risk, in equivalent securities. As at March 31, collateral pledged and held for the purposes of maintaining the credit facilities was as follows, in their pre-haircut CAD equivalent:

Collateral pledged
(in millions of Canadian dollars)

	March 31, 2026		March 31, 2025	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Marketable Securities	690	681	542	529
Total	690	681	542	529

Securities lending

As at March 31, 2026, the EFA's investments included securities lent in the form of US Treasury Notes with a carrying value and fair value of $277 million (no securities lent at March 31, 2025).

4. Financial risk management

The Account is exposed to financial risks through its financial instruments, including credit, market, and liquidity risk. The following is a description of those risks and how their exposure is managed by the Account.

Credit risk

Credit risk is the risk that a counterparty or guarantor to a financial contract will cause a loss to the Account by failing to discharge its obligations in accordance with agreed upon terms. The Account's exposure to credit risk primarily arises from its deposits held in the Account and marketable securities.

To ensure that the Account's asset portfolio is prudently diversified with respect to credit risk, the *Statement of Investment Policy* prescribed by the Minister of Finance specifies limits on holdings by class of issuer (sovereign, agency, supranational, corporation or commercial financial institution), by individual issuer or counterparty, and by type of instrument.

The *Statement of Investment Policy* also specifies the treatment of holdings that do not meet eligibility criteria or limits due to exceptional circumstances such as ratings downgrades.

The following table presents the credit rating of marketable securities held by the Account, based on the second highest external rating among those provided by Moody's Investors Service, Standard & Poor's, Fitch Ratings and Dominion Bond Rating Service.

Credit Rating of Marketable Securities
(in millions of Canadian dollars)

	Carrying Value As at March 31, 2026	Carrying Value As at March 31, 2025
AAA	46,251	108,022
AA+	48,866	4,735
AA	8,776	7,850
AA-	3,695	5,713
A+	14,481	6,934
A	477	8
A-	215	113
Total	122,761	133,375

Notes: Numbers may not add due to rounding. Moody's Investors Service downgraded the U.S. government on May 16, 2025.

Concentration of credit risk

Concentrations of credit risk occur when a significant proportion of the portfolio is invested in securities subject to credit risk with similar characteristics or subject to similar economic, political or other conditions. The EFA may hold fixed-income securities of highly rated sovereigns, central banks, government-supported entities and supranational organizations. The Bank broadly defines highly rated sovereigns as those with a credit rating as equivalent to BBB or higher. To be eligible for investment, an entity must have an acceptable credit rating informed by external credit ratings and internal credit analysis. The EFA may also make deposits and execute other transactions, up to prescribed limits, with commercial financial institutions that meet the same rating criteria.

The following table presents the concentration of credit of the marketable securities held by the Account.

Concentration of Marketable Securities
(in millions of Canadian dollars)

As at March 31, 2026	EUR		GBP		JPY		USD		Total	
	$	%	$	%	$	%	$	%	$	%
Securities issued by sovereigns	10,548	50	7,805	74	8,317	100	48,996	61	75,666	63
Securities issued by sub-sovereign entities	644	3	202	2	-	-	3,746	5	4,592	4
Securities issued by supranational entities	6,037	29	2,249	21	-	-	16,689	21	24,975	21
Securities issued by implicit agencies	3,870	18	331	3	-	-	10,304	13	14,505	12
Total fair value of securities	21,099	100	10,587	100	8,317	100	79,735	100	119,738	100
Carrying value of securities	21,891		10,917		8,845		81,108		122,761	

As at March 31, 2025	EUR		GBP		JPY		USD		Total	
	$	%	$	%	$	%	$	%	$	%
Securities issued by sovereigns	8,717	44	7,867	60	6,274	100	55,582	62	78,440	61
Securities issued by sub-sovereign entities	752	4	565	4	-	-	3,938	4	5,255	4
Securities issued by supranational entities	5,960	31	3,483	26	-	-	20,316	22	29,759	23
Securities issued by implicit agencies	3,994	21	1,287	10	-	-	10,797	12	16,078	12
Total fair value of securities	19,423	100	13,202	100	6,274	100	90,633	100	129,532	100
Carrying value of securities	20,299		13,595		6,517		92,964		133,375	

As stipulated in the *Currency Act*, the Minister of Finance may appoint agents to perform services concerning the Account, including lending of securities. Securities lending involves loaning a security to a counterparty, who must eventually return the same security, in order to earn additional return on the portfolio.

Through the securities-lending program, agents can lend securities only up to a prescribed maximum amount and only to approved counterparties. Each borrower must enter into a Securities Loan Agreement with at least one of the agents.

Borrowers are also required to provide collateral for securities borrowed according to a specific list approved by the Government, with collateral limited to specific security types, terms to maturity, and credit ratings. The agents also provide an indemnity in the event of default by the borrower. The fair value of collateral held against

securities lent as at March 31, 2026, was $282 million, representing 102% of the fair value of the securities loaned (no securities lent at March 31, 2025).

Market risk

Market risk is the potential for adverse changes to the fair value or future cash flows of a financial instrument due to changes in market variables, such as interest rates, foreign exchange rates, and other market prices.

a) Interest rate risk

The Account is exposed to market risk through interest rate risk, as the Account's cash equivalents, marketable securities and SDRs consist substantially of interest-bearing assets.

Interest rate risk is managed, with due consideration of the risk to the Government, through an asset-liability management policy. This policy utilizes a strategy of matching the duration structure and the currency of the Account's assets with the foreign currency borrowings of the Government which notionally finance the Account's assets.

b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk is present for the Account on a standalone basis as the Account's assets and liabilities are substantially denominated in US dollars, euros, Japanese yen, British pounds sterling or SDRs.

Currency risk is managed, with due consideration of the risk to the Government, through an asset-liability management policy. This policy utilizes a strategy of matching the duration structure and the currency of the Account's assets with the foreign currency borrowings of the Government which notionally finance the Account's assets.

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Account is not exposed to significant other price risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The Account is primarily exposed to liquidity risk through its Due to Consolidated Revenue Fund liability, but there is additional liquidity risk associated with foreign currency borrowings of the Government. While this amount is due to the Government of Canada on demand, it would be highly unlikely for the Government to call upon this obligation. If the obligation must be met, the Account has sufficient, liquid, assets that it can dispose of to generate the necessary payment.

The following table presents a maturity analysis of the financial assets and liabilities of the Account.

Maturity Analysis

(in millions of Canadian dollars)

As at March 31, 2026	Due on demand	Within 90 days	Within 4 to 12 months	Within 1 to 5 years	In more than 5 years	Total
Financial Assets						
Deposits held in the Account	15,316	-	-	-	-	15,316
Due from broker	109	-	-	-	-	109
Investments						
US dollars	-	8,611	13,081	43,800	25,240	90,732
Euros	-	325	1,602	10,482	12,361	24,770
Japanese yen	-	444	301	2,186	6,721	9,652
British pounds sterling	-	299	1,874	2,760	8,498	13,431
SDRs	32,718	-	-	-	-	32,718
Total financial assets	48,143	9,679	16,858	59,228	52,820	186,728
Liabilities						
Due to broker	-	-	-	-	-	-
Due to Consolidated Revenue Fund	(170,904)	-	-	-	-	(170,904)
Total financial liabilities	(170,904)	-	-	-	-	(170,904)
Net maturity difference	(122,761)	9,679	16,858	59,228	52,820	15,824

As at March 31, 2025	Due on demand	Within 90 days	Within 4 to 12 months	Within 1 to 5 years	In more than 5 years	Total
Financial Assets						
Deposits held in the Account	11,441	-	-	-	-	11,441
Investments						
US dollars	-	11,834	11,607	52,077	28,560	104,078
Euros	-	238	796	8,469	13,250	22,753
Japanese yen	-	96	775	2,181	3,637	6,689
British pounds sterling	-	1,628	3,615	3,583	6,915	15,741
SDRs	32,775	-	-	-	-	32,775
Total financial assets	44,216	13,796	16,793	66,310	52,362	193,477
Liabilities						
Due to broker	(316)					(316)
Due to Consolidated Revenue Fund	(177,275)	-	-	-	-	(177,275)
Total financial liabilities	(177,591)	-	-	-	-	(177,591)
Net maturity difference	(133,375)	13,796	16,793	66,310	52,362	15,886

5. Due to the Consolidated Revenue Fund (CRF)

The Account is funded by the Government through interest-free advances from the CRF. Advances to the Account from the CRF are authorized by the Minister of Finance under the terms and conditions prescribed by the Minister of Finance. Pursuant to Section 19 of the *Currency Act*, these advances are limited to US$150 billion by order of the Minister of Finance effective March 26, 2015.

The CRF advances the proceeds of the Government's borrowings in foreign currencies and allocations of SDRs by the IMF to the Account. Subsequent repayments of foreign currency debt are made using the assets of the Account and result in reductions of foreign currency advances from the CRF.

The Account requires Canadian-dollar advances to settle its purchases of foreign currencies. Canadian dollars received from sales of foreign currencies are remitted to the CRF. This, together with foreign currency payments made on behalf of the Government, causes reductions in the level of outstanding Canadian-dollar advances and can result in overall net deposits of Canadian-dollars by the Account with the CRF.

As at March 31, advances from the CRF were composed of the following currencies:

Currency composition of advances from the CRF
(in millions of Canadian dollars)

	2026	2025
US dollars	106,560	113,505
Euros	22,679	20,890
British pounds sterling	10,691	14,114
Japanese yen	9,031	6,667
SDRs	26,424	26,761
Total foreign currencies	175,385	181,937
Canadian dollars	(9,426)	(8,811)
Net revenue	4,945	4,149
Total	170,904	177,275

6. Credit Support Annex agreements

Effective in 2015, the Government of Canada started to use two-way Credit Support Annex (CSA) agreements for cross-currency swaps issued to fund the EFA. As a fiscal agent for the Government of Canada, the Bank manages the collateral process through an external collateral manager. Securities posted as collateral are those of the Government of Canada.

At March 31, collateral pledged and held under two-way CSA agreements was as follows[16]:

Held/Pledged Collateral under Two-Way CSA Agreements

	Nominal amount		Fair value	
	Posted by Government of Canada	Posted by counterparties	Posted by Government of Canada	Posted by counterparties
2026				
Cash	4,160	600	4,160	600
Securities	-	3,836	-	4,044
Total	4,160	4,436	4,160	4,644
2025				
Cash	3,457	255	3,457	255
Securities	-	4,006	-	4,138
Total	3,457	4,261	3,457	4,393

[16] The fair values of cash are equivalent to their nominal amount. The fair values of securities are based on market value information provided by the external collateral manager.