



**Canadian Bond
Investors' Association**

**Association canadienne des
investisseurs obligataires**

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Hon. Joe Oliver
Minister of Finance
Via Email: joliver@fin.gc.ca

Stephen S. Poloz
Governor of the Bank of Canada
Via email: info@bankofcanada.ca

Jeremy Rudin
Superintendent
Office of the Superintendent of Financial Institutions
Via E-mail: jeremy.rudin@osfi-bsif.gc.ca

Dear Sirs,

Re: Non-Viable Contingent Capital (NVCC) and Bail-in Debt

We are writing you to express our concern and disappointment prompted by the recent issuance of Non-Viable Contingent Capital (NVCC) subordinated debt by the Royal Bank of Canada, without the benefit of a full regulatory road map. This issue generated considerable concerns from many members of our organization and we feel compelled to share them with you given your ultimate oversight of Canadian capital markets and the banking sector. We are writing to respectfully urge the Department of Finance to expedite the process for providing clarity on the "Bail-In" framework.

By way of background, the CBIA was established in 2011 and represents 33 of the largest fixed income institutional investor organizations in Canada, including those from the insurance (buyside), asset manager (including bank-owned) (buy-side), pension and

investment counsel sectors. Those institutions represent more than \$615 billion of fixed income assets under management. As such, the CBIA is the independent voice of Canadian bond investors, which in turn owe a fiduciary duty to the millions of pensioners, policyholders and retail investors who depend on CBIA members and other similar industry participants for the sound management of these investments.


Since our founding, the NVCC topic has been flagged as one of the most important issues facing our members. The CBIA formally commented to the Office of the Superintendent of Financial Institutions in a letter dated January 23, 2012 (attached). We stated that clarity on a regulatory regime guiding the “bail-in” of senior unsecured bank instruments and a full picture of the regulatory landscape are important to have in place ahead of NVCC issuance to allow proper risk assessment and pricing considerations. While there has been progress on some areas addressed in our letter, the critical issue of bail-in debt has not been addressed, thus leaving institutional fixed income investors in an uncomfortable position when evaluating NVCC instruments.

Institutional investors need clarity on bail-in debt to ensure thorough risk assessment and pricing of NVCC instruments. The 2013 budget made clear that a framework to implement bail-in debt for senior unsecured securities would be forthcoming. However, there have been no subsequent pronouncements or draft legislation.

In conclusion, on behalf of the CBIA and our broad group of institutional fixed income investors and the millions of beneficiaries they represent, we request the Department of Finance consider the issues on bail-in and we once again respectfully urge the Department to provide clarity on the bail-in framework on a timely basis. We believe that NVCC issues will gain more widespread acceptance by the institutional fixed income community only once this has occurred.

We would greatly welcome the opportunity to have input into the debate around bail-in debt and believe further outreach to bond investors on this front would be appropriate.

Sincerely,



Joe Morin
Chair