



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

## Election Proposal Costing

### Issuing retail bonds

April 9, 2025

Issuing retail bonds to individuals with a total par value of \$3,734 million, an estimated value of \$4,200 million, a simple coupon rate of 5% annually, and a maturity of 10 years, effective June 30, 2025.

#### Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
<b>Total cost</b> \$ millions	110	146	145	143	142	685

#### Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

#### Estimation and Projection Method

The bonds' price at the time of issue, June 30, 2025, was estimated as the value of its future cash flows discounted using EPC baseline interest rate projections. Coupon payments occur annually, with the first payment being prorated for the share of interest that will accrue in that fiscal year.

The bonds' interest exceeds the expected market rate and will be sold to individuals at a premium. This premium was amortized over the duration of the bond using the effective interest rate method. The amortization of the premium offsets part of the coupon payment in each year.

#### Sources of Uncertainty

Interest rates differing from what is expected at the time of issue will impact the value of the bonds and the amount to be amortized. It was assumed that the issue of the bonds would be fully subscribed, and that it would incur no additional transaction costs.

#### Data Sources

##### **Government of Canada 10-year benchmark bond yield**

PBO EPC Baseline