CANADA CONVERSION LOAN OF 1958

Outstanding Bonds			Convertible into—			
Date of Maturity	Victory Loan Number	With Undermentioned Coupon and All Subsequent Coupons Attached	New Issue	And Cash per $1,000 Bond of—	Term	Date of Maturity
			p.c.	$	Yr.	
Jan. 1, 1959	5	Jan. 1, 1959		25.00	25	Sept. 1, 1983
June 1, 1960	6	Dec. 1, 1958	$4\frac{1}{2}$	22.50		
Feb. 1, 1962	7	Feb. 1, 1959	or	12.50		
Oct. 1, 1963	8	Oct. 1, 1958	$4\frac{1}{4}$	17.50		
Sept. 1, 1966	9	Sept. 1, 1958		15.00	14	Sept. 1, 1972
Jan. 1, 1959	5	Jan. 1, 1959		25.00		
June 1, 1960	6	Dec. 1, 1958	$3\frac{3}{4}$	22.50	7	Sept. 1, 1965
Feb. 1, 1962	7	Feb. 1, 1959		12.50		
Jan. 1, 1959	5	Jan. 1, 1959	3	15.00	$3\frac{1}{4}$	Dec. 1, 1961
June 1, 1960	6	Dec. 1, 1958		12.50		

Long-term features in the conversion issue were further emphasized by a non-callable feature. Unlike outstanding Victory Loans, the conversion bonds cannot be called by the Government before maturing date. Many students of Canadian finance have been inclined to believe that a former callable feature in the huge $6,400,000,000 debt tended to weaken the Canadian bond market substantially.

In many respects, the Canada Conversion Loan of 1958 was somewhat in the nature of 'rights', which have long been used to encourage both stock and bond issues. During the campaign, holdings of Victory Bonds carried a right to retain them, to sell them to others, or to convert them into longer-term maturities at attractive bonuses under an exchange offer which expired on Sept. 15, 1958. This form of financing opened up the Conversion Loan to all investors, whether or not they actually owned Victory Bonds at the time of exchange.

When Victory Bonds were sold by their former owners because they wanted cash, they could be purchased by an investment house and used for customers who had none of their own but who wanted to buy into the conversion issue. As with most 'rights', however, there was a reward for investors who retained their original holdings. In general, the entire process might be defined as a 'face-for-face' voluntary exchange, plus an adjustment payment to compensate holders of Victory Bonds for taking new bonds that matured further into the future. The principal aim was to distribute a substantial part of the national debt by an extension of maturities over a much longer term from 6.0 to 10.6 years.

Latest available returns (Apr. 30, 1959) show that the total amount converted reached $5,805,519,850. Of this total, the 3-p.c. 1961 issue accounted for $1,020,514,000, the $3\frac{3}{4}$-p.c. 1965 issue for $1,266,723,100, the $4\frac{1}{4}$-p.c. 1972 issue for $1,366,733,800, and the $4\frac{1}{2}$-p.c. 1983 issue for $2,151,548,950. When the total converted at $5,805,519,850 is subtracted from that originally outstanding at $6,415,880,350, the amount still held in Victory Bonds totalled $610,360,500. The principal retention was by individuals and corporations with outstanding debts requiring a near-term liquidation.

It should be noted that the Canada Conversion Loan of 1958 was entirely of a refunding nature and did not involve new financing which was continued by the Federal Government as various expenditures had to be met. What the Government did, in effect, was to facilitate financing in all fields of security borrowing by applying on a gigantic scale the basic principle of federal debt consolidation.