

- 1 **Q. Reference: Evidence of Laurence D. Booth, p. 3.**  
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3 **Dr. Booth states that in 2011 he accepted the use of the automatic Return on Equity**  
4 **(“ROE”) adjustment mechanism to be suspended due to massive bond buying in the**  
5 **US and Europe by central banks.**  
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7 **a) What would the ROE adjustment mechanism indicate is the ROE in this case**  
8 **based on Dr. Booth’s projected Canadian bond yield? Please provide all**  
9 **supporting calculations.**  
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11 **b) Does Dr. Booth’s Canadian bond yield projection of 3.8% reflect a return to a**  
12 **more normal valuation of Canadian bond yields, given the suspension of massive**  
13 **bond buying in the U.S. and Europe by central banks? Please explain.**  
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15 **A. a) Please see Dr. Booth’s Appendix E where he discusses the application of automatic**  
16 **ROE adjustment models based on the NEB ROE formula for which annual data is**  
17 **available. Dr. Booth does not have the data to estimate the Board’s model.**  
18  
19 **b) Yes. There is no question that central banks are now selling their massive bond**  
20 **holdings in an orderly manner. The process is not complete, so while we are not**  
21 **there yet, we are moving closer to more normal bond markets.**