B.6
Request for Comments

B.6.1 Ontario Securities Commission (OSC) and Autorité des marchés financiers (AMF) – Notice and Request for Comment – Application for the Designation of Term CORRA as a Designated Interest Rate Benchmark and CanDeal Benchmark Administration Services Inc. as its Designated Benchmark Administrator

OSC AND AMF

NOTICE AND REQUEST FOR COMMENT

APPLICATION FOR THE DESIGNATION OF TERM CORRA AS A DESIGNATED INTEREST RATE BENCHMARK

AND

CANDEAL BENCHMARK ADMINISTRATION SERVICES INC. AS ITS DESIGNATED BENCHMARK ADMINISTRATOR

July 6, 2023

Introduction

The Ontario Securities Commission (the **OSC**)[1] and the Autorité des marchés financiers (**AMF**)[2] have each received an application from CanDeal Benchmark Administration Services Inc. (**CBAS**) for a decision under applicable securities legislation that:

- Term CORRA be designated as a designated interest rate benchmark[3], and
- CBAS be designated as a designated benchmark administrator **(DBA**) of Term CORRA.

OSC staff and AMF staff (collectively, **we**) are publishing this Notice and Request for Comment (the **Notice**), together with the following documents, for a 30-day public comment period:

- Appendix A - Amended and restated application letter from CBAS (the **Application**)[4], and
- Appendix B – Organization and structure of CBAS (the **CBAS Structure**).

In Ontario, the OSC is also publishing for comment Appendix C - Draft OSC designation order (the **Draft OSC Designation Order**).

The comment period for this Notice will close on **August 8, 2023**. Please see the section of this Notice entitled "Comment Process" for information on how to provide comments.

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1 In Ontario, the OSC received an application from CBAS under both the *Securities Act* (Ontario) (the **OSA**) and the *Commodity Futures Act* (Ontario) (the **CFA**) for a designation order.

2 In Québec, the AMF received an application from CBAS under the *Securities Act* (Québec).

3 Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* (**MI 25-102**) has provisions that apply to designated interest rate benchmarks. In Ontario, Term CORRA will be:
- designated as a designated benchmark under subsection 24.1(3) of the OSA and subsection 21.5(3) of the CFA, and
- assigned as a designated interest rate benchmark for the purposes of MI 25-102 under subsection 24.1(7) of the OSA and for the purposes of Ontario Securities Commission Rule 25-501 (Commodity Futures Act) *Designated Benchmarks and Benchmark Administrators* (**OSC Rule 25-501**) under subsection 21.5(7) of the CFA.

OSC Rule 25-501 contains substantially the same requirements as MI 25-102. OSC Rule 25-501 was enacted in Ontario because MI 25-102 would not apply to Ontario commodity futures law.

4 For the Notice,
- the version of Appendix A published in Ontario is the amended and restated application letter from CBAS to the OSC, and
- the version of Appendix A published in Québec is the amended and restated application letter from CBAS to the AMF.

Background to the Application

The Canadian Dollar Offered Rate (**CDOR**), a designated interest rate benchmark, will cease to be published on June 28, 2024[5].

- It is expected that market participants will use the Canadian Overnight Repo Rate Average (**CORRA**) as the alternative reference rate for most instruments that currently reference CDOR. CORRA is an existing interest rate benchmark administered by the Bank of Canada.
- Term CORRA[6] is a new interest rate benchmark that is intended to replace CDOR for certain instruments or, when appropriate, for related derivatives. Term CORRA will be a forward-looking measurement of CORRA for 1- and 3-month tenors, based on market-implied expectations from CORRA derivatives markets[7]. CBAS is the benchmark administrator of Term CORRA.
- Term CORRA's use will be limited through its licensing agreements to trade finance, loans and derivatives associated with loans.
- It is anticipated that Term CORRA will be important for the successful transition of the Canadian loan and trade finance market from CDOR.

Consequently, we and CBAS believe that:

- Term CORRA should be designated as a designated interest rate benchmark, and
- CBAS should be designated as a DBA of Term CORRA.

However, any decision to so designate Term CORRA and CBAS would be made by the applicable decision maker at each of the OSC and AMF and is subject to their approval.

If Term CORRA and CBAS are so designated, CBAS (as DBA of Term CORRA) will be required to comply with the applicable provisions of MI 25-102 and OSC Rule 25-501 in respect of Term CORRA. In particular, CBAS will be required to have the policies, procedures and controls contemplated by MI 25-102 (including policies, procedures and controls relating to conflicts of interest) and to make the public disclosure required by MI 25-102 in respect of Term CORRA.

We understand that CBAS currently plans to launch Term CORRA for use by market participants at a date (the **Launch Date**) during the period from September 1, 2023 and September 30, 2023. Since MI 25-102 is a "designation regime", rather than a "registration regime" or a "licensing regime", CBAS does not need to have Term CORRA and CBAS designated by the OSC and the AMF as a designated benchmark and a DBA, respectively, prior to the Launch Date.

OSC and AMF as Co-Lead Authorities

The CSA jurisdictions that adopted MI 25-102 also entered into a memorandum of understanding (the **MOU**)[8] respecting the oversight of designated benchmarks and DBAs, including the processing of applications for designation. The MOU outlines the manner in which the jurisdictions will cooperate and coordinate their efforts to oversee designated benchmarks and DBAs in order to achieve consistency, efficiency and effectiveness in the overall oversight approach, as well as the efficient and effective processing of applications for designation.

Under the MOU, we are planning for the OSC and AMF to be co-lead authorities for Term CORRA and CBAS at this time.

- No other CSA jurisdiction plans to designate Term CORRA and CBAS at this time.
- Since MI 25-102 is a "designation regime", rather than a "registration regime" or a "licensing regime", there is no need for Term CORRA and CBAS to be designated in the other CSA jurisdictions.

5 For more information on the cessation of CDOR, see CSA Staff Notice 25-309 *Matters Relating to Cessation of CDOR and Expected Cessation of Bankers' Acceptances* at https://www.osc.ca/sites/default/files/2023-02/csa_20230223_25-309_cessation-of-cdor.pdf

6 The plans for Term CORRA were initially developed by the Canadian Alternative Reference Rate Working Group (**CARR**). For more information on CARR's role in the development of Term CORRA, see https://www.bankofcanada.ca/2023/01/carr-announces-development-term-corra-benchmark/

7 Term CORRA will be derived from transactions and executable bids and offers from CORRA interest rate futures traded on the Montréal Exchange.

8 A copy of the MOU is at https://www.osc.ca/sites/default/files/2021-05/mou_20210527_designated-benchmarks.pdf

Conflicts of Interest

The Application sets out how CBAS plans to identify and manage conflicts of interest.

Appendix B sets out the CBAS Structure provided by CBAS[9].

CBAS will have policies and procedures to restrict trading by its employees and "DBA individuals" (as that term is defined in MI 25-102) in CORRA futures and any securities or derivatives that use CORRA or Term CORRA as a reference rate. In particular, CBAS employees and DBA individuals will be prohibited from trading in the relevant CORRA interest rate futures traded on the Montréal Exchange during the Observation Interval (as that term is defined in Appendix A) or otherwise.

Term CORRA Licensing

We understand that:

- lenders wishing to use Term CORRA in their lending agreements would need to enter into a licensing agreement for Term CORRA,
- borrowers would not normally need to enter into a licensing agreement unless they wanted real-time access to Term CORRA data (rather than viewing it on a website of Group or TMX Group on a delayed basis for free),
- the distribution of Term CORRA to commercial users for revenue is to be effected through a collaboration agreement currently being negotiated at arm's length between TSX and CBAS, and
- the collaboration agreement will provide for licensing fees to be divided between CBAS and TSX.

To address certain matters relating to conflicts of interest, we are considering requiring CBAS to provide[10] that each of the following would need to be reviewed by the oversight committee required by MI 25-102 for a designated interest rate benchmark (the **Oversight Committee**) before being implemented:

- any change to the license fees or license fee arrangements in respect of Term CORRA,
- any amendments to the collaboration agreement between TSX and CBAS, and
- any amendments to an agreement between CBAS and an affiliate of CBAS.

We understand that CBAS has not yet formed an Oversight Committee and plan to finalize the initial arrangements and agreements in advance of the designation order.

Impact on Certain Market Participants

Subsection 21(1) of MI 25-102 provides that if certain specified market participants use a designated benchmark, and if the cessation of the benchmark could have a significant impact on the market participant, a security issued by the market participant or a derivative to which the market participant is a party, the market participant must establish and maintain a written plan setting out the actions that the market participant will take in the event of the cessation of the designated benchmark.[11]

Subsection 21(1) of MI 25-102 only applies to a market participant that is a registrant, a reporting issuer, a recognized exchange, a recognized quotation and trade reporting system or a recognized clearing agency within the meaning of National Instrument 24-102 *Clearing Agency Requirements*.[12]

Fallback Arrangements if Term CORRA Ceases to be Published

Although CARR has endeavoured to create a robust and sustainable benchmark, CARR has noted[13] that the long-term sustainability of Term CORRA is not guaranteed.

- In particular, the ongoing viability of Term CORRA will depend on the liquidity of the underlying CORRA futures contracts that are used to derive Term CORRA.

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9 CBAS is an indirect subsidiary of CanDeal Group Inc. (**Group**). TSX Inc. (**TSX**) owns 14.29% of Group. TSX is a direct subsidiary of TMX Group Limited (**TMX Group**).

10 For example, to address these matters, OSC staff are considering including a term and condition in the OSC designation order and AMF staff may require CBAS to provide an undertaking to the AMF. Alternatively, CBAS may be asked to address these matters in any other type of document that would be binding on CBAS.

11 See section 21 of MI 25-102 for additional requirements that apply in respect of the written plan.

12 In Ontario, there is a similar requirement in section 21 of OSC Rule 25-501 that applies to a market participant that is registrant, a recognized commodity futures exchange, a registered commodity futures exchange or a recognized clearing house under Ontario commodity futures law.

13 See https://www.bankofcanada.ca/2023/01/carr-announces-development-term-corra-benchmark/

- If the depth of liquidity in these contracts is not sufficient, CBAS as the DBA of Term CORRA will be required to amend the methodology of Term CORRA.
- If changes to the methodology are insufficient to result in a sufficiently robust benchmark, CBAS will be required to either (i) take any other steps necessary to ensure that the benchmark accurately and reliably represents that part of the market or the economy that it is intended to represent or (ii) cease the publication of the benchmark with appropriate notice.
- CARR therefore expects any users of Term CORRA to have robust fallback language[14] in place in the relevant contractual documentation that envisages the replacement in appropriate circumstances of Term CORRA with CORRA calculated in-arrears. Users also need to build the operational capacity to transact in these fallback rates should Term CORRA cease to be published in the future.

Comment Process

We are publishing for public comment the Notice, the Application and the CBAS Structure for 30 days. The OSC is also publishing the Draft OSC Designation Order for public comment. We are seeking comment on all aspects of this Notice, the Application, the CBAS Structure and, in the case of the OSC, the Draft OSC Designation Order.

Please submit your comments in writing, via email, on or before **August 8, 2023** to the attention of:

Benchmark Oversight
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
benchmarkoversight@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
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Your written comments should be submitted in Microsoft Word format.

The confidentiality of submissions cannot be maintained as the comment letters and a summary of written comments received during the comment period will be published.

Questions

Questions on the content of the Notice (and, in the case of the OSC, the Draft OSC Designation Order) may be directed to any of the following:

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[14] "Fallback language" refers to the contractual provisions in an instrument that set out the process by which a replacement rate is to be used if a benchmark is not available for use.

Questions on the content of the Application and the CBAS Structure may be directed to:

Louise Brinkmann
Compliance Officer
CanDeal Benchmark Administration Services Inc.
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APPENDIX A

AMENDED AND RESTATED APPLICATION LETTER

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February 28, 2023, as amended and restated on June 20, 2023

By e-mail

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario
M5H 3S8

Attention: Michael Bennett Senior Legal Counsel, Corporate Finance
Melissa Taylor, Senior Legal Counsel, Corporate Finance and
Darren Sutherland, Accountant, Corporate Finance

Dear Sirs/Mesdames:

Re: Applications (**Applications**) pursuant to section 24.1 of the *Securities Act* (Ontario) (**OSA**) and section 21.5 of the *Commodity Futures Act* (Ontario) (**CFA**) on behalf of CanDeal Benchmark Administration Services Inc. (**CBAS**) for the designation of CBAS as a designated benchmark administrator (**DBA**) and Term CORRA as a designed interest rate benchmark for purposes of Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* (**MI 25-102***)* and OSC Rule 25-501 (Commodity Futures Act) *Designated Benchmarks and Benchmark Administrators* (**OSC Rule 25-501**)[1]

Introduction

We are counsel for CBAS in connection with the Applications under the OSA and CFA respectively for the DBA designation and IRB[2] designation (collectively, the **Designations**). A separate application is being made for the Designations to the Autorité des marchés financiers (**AMF**)[3].

OSC and AMF will act as Lead Regulators for Applications

Reference is made to section 5 of the *Memorandum of Understanding Respecting the Oversight of Designated Benchmarks and Designated Benchmark Administrators*[4] **(MOU**). We read the MOU as enabling the signatories to decide the manner in which an application will be handled. We understand that the Ontario Securities Commission (the **OSC**) and the AMF will be each selected as co-lead regulators (the **Lead Regulators**) for the purposes of the Applications.

Overview of Designations Sought

We will separately and successively address the IRB Designation and the DBA Designation.

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1 We understand that OSC Rule 25-501 contains substantially the same requirements as MI 25-102 and that OSC Rule 25-501 was enacted in Ontario because MI 25-102 would not apply to Ontario commodity futures law.
2 In this document, "IRB" refers to an interest rate benchmark and "designated IRB" refers to a designated interest rate benchmark.
3 This application will be made under *Regulation 25-102 respecting Designated Benchmarks and Benchmark Administrators*, CQLR, c. V-1.1, r. 8.2 and section 186.2.0.1 of the *Securities Act* (Québec), CQLR, c.V-1.1.
4 https://www.osc.ca/sites/default/files/2021-05/mou_20210527_designated-benchmarks.pdf

IRB Designation

Impetus for adoption of Term CORRA as a new interest rate benchmark

CBAS is applying under the OSA and the CFA to have Term CORRA designated as an IRB.

Term CORRA Methodology

Term CORRA is the term risk-free rate that is to replace the Canadian Dollar Offered Rate (**CDOR**) after June 28, 2024 for certain instruments or, when appropriate, for related derivatives. The following discussion is based on the methodology published on January 11, 2023 by the Canadian Alternative Reference Rate Working Group (**CARR**)[5].

The Term CORRA calculated rate is meant to reflect, at a point in time, the CORRA[6] overnight index swap rate for the 1- and 3-month tenor[7]. It builds on academic work as well as the term risk-free rates already established in other jurisdictions, including the US and UK, and has been developed by CARR and working groups of subject matter experts across the Canadian industry, including the Bank of Canada.

The case for creating a Term CORRA was first mentioned in CARR's 2021 CDOR White Paper, where it was noted that CARR would consult on a potential forward-looking rate. The resulting public consultation found that Canadian non-financial corporates, in particular, had a strong desire for a Term CORRA benchmark, as a term rate would be less operationally complex and facilitate cash flow forecasting.

Calculation of Term CORRA[8]

CBAS will supervise the way Term CORRA is determined and provided following the CARR methodology. This will include some calculation services.

CARR's proposed Term CORRA benchmark comprises two tenors: 1- and 3-months. These rates are calculated using a waterfall methodology comprised of two levels ("**Level 1**" and "**Level 2**"). CARR expects that the majority of time the calculation will be based on the Level 1 approach using CORRA futures transactions and executable bids and offers, with Level 2 acting as a fallback if there is not sufficient liquidity in CORRA futures on a specific day.

Term CORRA rates are calculated in steps as follows:

Step 1

Calculate a single futures mid-price for each individual futures contract (i.e., the first three 1-month CORRA futures and the first two 3-month CORRA futures contracts) using transactions, and a random sample of executable bids and offers in the central limit order book, within a two-hour observation interval between 10:00 am and 12:00 pm Eastern Time (the **Observation Interval**).

Step 2

If there are sufficient transactions and/or limit orders in all the necessary futures contracts to construct the curve, the Level 1 methodology will be used. This methodology constructs the CORRA forecast curve from the futures mid-prices and the 1- and 3-month Term CORRA will be calculated from that curve.

Step 3

If there are not sufficient transactions and/or limit orders to use the Level 1 methodology for a specific tenor (i.e., 1-month or 3-month Term CORRA), the Level 2 methodology will be used.

This methodology is a fallback version of Term CORRA that is calculated using the previous day's published Term CORRA rate adjusted for any move in historical CORRA rates calculated over the specific tenor.

CARR's proposed Term CORRA methodology uses both executed transactions and executable bids and offers in CORRA futures trading on the MX.

Data to calculate Term CORRA are taken during the Observation Interval to ensure a more accurate representation of the rate. The extended observation interval also means that the term rate is not dependent on individual transactions during a short time window. The time of the Observation Interval was chosen specifically to be after the release of the Bank of Canada's policy interest

5 See the CARR publication at https://www.bankofcanada.ca/wp-content/uploads/2023/01/term-corra-methodology.pdf

6 The Canadian Overnight Repo Rate Average (**CORRA**) is a measure of the cost of overnight general collateral funding in Canadian dollars using Government of Canada treasury bills and bonds as collateral for repurchase transactions. See https://www.bankofcanada.ca/rates/interest-rates/corra/methodology-calculating-corra/

7 Term CORRA will be a forward-looking measurement of overnight CORRA for 1- and 3-month tenors, based on market-implied expectations from CORRA derivatives markets. The rate will be calculated from 1- and 3-month CORRA futures trading on the Montréal Exchange (**MX**).

8 *Id* at pp 2 and following from which the description provided here is drawn.

rate decisions, and the publication of most economic news releases to limit the price volatility in CORRA futures during the Observation Interval.

The Observation Interval will be further divided into twelve 10-minute data windows (**slots**) to ensure that a representative rate across the whole interval can be calculated. The DBA will use as input data (i) transaction prices observed during each slot in the Observation Interval and (ii) a snapshot of executable bid/offer CORRA futures prices in the central limit order book (**CLOB**) taken at a random time within the same slot.

If an individual slot meets or exceeds a standard market size, then that slot is considered "valid". The defined standard market size (**SMS**) is $1 billion for 1-month and $750 million for 3-month. These sizes reflect (a) the aggregate of transactions effected over the duration of the slot and (b) that "acceptable" bids and offers are executable provided the total volume weighted bid and offer up to the SMS are within 5 bps or less of each other.

CBAS calculates a mid-price for each slot from the sampled best bid and offer having regard to the following:

1. When the value of the transactions equals or exceeds the SMS in any time slot, then all transactions in the slot will be used in calculating the volume-weighted average price and no sampled order data will be used.

2. When the value of the transactions in the slot is below the SMS, acceptable bids and offers are used alongside transactions to calculate the mid-price.

   A volume-weighted average bid price for the slot is calculated for a standard market sized transaction. The same is done for the offered side of the market. This is done by using the transactions in the slot together with the acceptable bids/offers until the standard market size is reached. The volume-weighted averages are calculated using a weighting system that provides more value to transactions and those bid/offer prices close to the mid-price. This results in a weighted average bid and offer and the mid-price between them is the slot's determined mid-price.

3. When there is insufficient transaction, bid, and offer volume in a slot, then no determined mid-price is available and the slot is invalid for the purposes of calculating a slot price.

Where there are between 4 to 12 valid slots in an observation interval the specific futures price can be used in using the Level 1 methodology. The specific futures price is calculated as the median of all the valid slot mid-prices (median will be defined as the middle slot, or if the range is even then the average between the two central slots will be used). If four slots cannot be filled, this futures price will not be available for use in the curve construction.

Curve Construction

To be considered valid, curves must also use a certain minimum number of futures contracts, as follows:

- For the 1-month tenor, valid fixings must be built using at least the first two 1-month futures prices. If this is not the case, Level 2 methodology will be employed.

- For the 3-month tenor, valid fixings must be built using at least the first two 3-month futures prices and the first three 1-month futures prices. If this is not the case, Level 2 methodology will apply.

Level 1 and Level 2 methodologies can apply separately for 1- and 3-month Term CORRA fixings.

Under Level 1, Term CORRA will be constructed using a methodology developed by the New York Federal Reserve[9]. A path for overnight CORRA rates is determined under the assumption that these rates follow a piecewise constant step function and only move up or down the day after a Bank of Canada Fixed Announcement Date.

CBAS will use MX CORRA futures, which provide an estimated level of overnight CORRA over a given period (1- or 3-months), to estimate an optimal path for overnight rates to calculate 1- and 3-month Term CORRA values.

Under Level 2, a fallback version of Term CORRA is calculated using the previous day's published rate. Specifically, the day's setting will equal the calculated backwards-looking compounded rate for the specific tenor (i.e., 1- or 3-month) for today, plus the difference between (a) the previous day's Term CORRA and (b) the change in the calculated backwards looking rate computed across the previous day for the same tenor.

The fallback methodology can be used for up to 10 business days in a row, after which time CBAS is expected to assess the underlying liquidity in CORRA futures and any potential changes to the calculation method to ensure its robustness.

[9] Heitfield, Erik, and Yang-Ho Park (2019). "Inferring Term Rates from SOFR Futures Prices," Finance and Economics Discussion Series 2019-014. Washington: Board of Governors of the Federal Reserve System, https://doi.org/10.17016/FEDS.2019.014

The use of this fallback rate means that the liquidity in the underlying futures market is not sufficiently robust to calculate a transaction or executable quote-based rate and therefore potentially raises the question about the longer-term viability of the rate. Therefore, after Level 2 calculations are made for 10 consecutive business days, CBAS' oversight committee (**Oversight Committee**), together with CBAS will meet to determine whether it is possible to amend the calculation methodology to ensure that a MI 25-102-compliant rate can be published, or whether the rate should be potentially wound down in an orderly fashion. Any significant amendments to the methodology would require a public consultation under MI 25-102.

Monitoring, reviewing, and updating the IRB

The DBA intends to rely on the governance structure prescribed in MI 25-102 and its associated internal policies for reviewing the IRB to discharge its responsibilities under MI 25-102.

This governance structure prescribes interactions between the DBA board of directors (**DBA Board**) and an Oversight Committee not populated by DBA board members. Supporting staff (including outsourced personnel) and a Compliance Officer (**Compliance Officer**) will have collective responsibility to devise, implement and monitor the efficacy of policies and procedures designed to collectively ensure the integrity and reliability of the designated IRB including ensuring that the calculation methodology for determining the IRB is followed.

The Compliance Officer may be regarded as collector of information for the Oversight Committee and, ultimately, the DBA Board. Information derived from complaints, price challenges, whistle-blower notifications, actual experience with the IRB and the administration of DBA policies are collected and organized by the Compliance Officer as information and decision inputs for the Oversight Committee.

The Oversight Committee will apply independent judgment to these information and decision inputs as well as periodic third-party assurance reports. The Oversight Committee will rely on its independence from the DBA board, applies its expertise with the IRB and the related users and its experience to formulate recommendations and reports to the DBA Board, escalate matters to the Board for decision and in appropriate cases to make reports to the regulators.

The principal focus of the Oversight Committee is ensuring and advancing the reliability, integrity and ongoing usefulness to users of the IRB. In aid of this objective, the Oversight Committee's mandate creates numerous responsibilities for monitoring the IRB.

The DBA Board liaises with TSX Inc. (**TSX**), where appropriate, to address price challenges as to the calculation of the IRB which might originate in the way TSX performed the pre-calculation steps and to assimilate feedback from commercial users of the IRB. The DBA Board also constitutes and acts on recommendations of the Oversight Committee and administers the policies and outsourcing relationships of the DBA. In this capacity it makes decisions on changes to the IRB.

Publication of information relating to IRB

MI 25-102 requires that information be published by CBAS about the methodology for determining Term CORRA and the process for reviewing, correcting and making significant changes to the methodology. Significance will be determined having regard to the magnitude of the change, its potential to compromise benchmark stability and integrity, and the degree to which it will be accepted in the market or depart from existing industry standards.

Separately, a benchmark statement must be published as to its intended uses and applications in understanding the market or economic segment to which the benchmark pertains. That statement needs, among other things, to address the circumstances in which the benchmark might not achieve its intended purpose and stop being published and also indicate whether, to what degree and by whom expert judgment needs to be applied to make the benchmark determination. The relevant information must at least be published on the CBAS website and be accessible at no charge by members of the public.

Information required under Applications

The Companion Policy to MI 25-102 (the **CP**) requires that the Applications contain the same information as that required by Form 25-102F1 *Designated Benchmark Administrator Annual Form* (**FI**) and Form 25-102F2 *Designated Benchmark Annual Form* (**F2**) in a format that is consistent with those forms[10]. To expedite consideration of the Applications, CBAS has prepared and submitted the F1 and F2. Given the fact that CBAS has not been designated yet as DBA, not all of the required information in the forms yet exists but the forms were complete as of the date of the original Applications. The forms will be updated prior to the Designations.

Why Term CORRA should be a designated IRB

For OSC Staff to recommend designation of an IRB, the benchmark needs to be used to set interest rates of debt securities or has to otherwise be used as a reference in derivatives or other instruments[11]. That requirement is expected to be satisfied once

[10] CP under the heading "Categories of Designation".
[11] CP under the heading "Subsection 1(1)—Definition of designated interest rate benchmark".

Term CORRA replaces CDOR for certain purposes and this expectation has already been backed by a public consultation process[12].

As confirmed in the opening passages of the document prepared by CARR describing the Term CORRA methodology[13] and the public consultation that preceded its development:

> "… Based on the results of its consultation, CARR has decided that a Term CORRA benchmark would be important for the successful transition of the Canadian loan and trade finance market from CDOR to CORRA. As a result, CARR is establishing the parameters for the creation of an IOSCO-compliant benchmark with the appropriate stakeholders. While most financial instruments will reference Overnight CORRA, CARR is identifying specific use cases for the use of Term CORRA. These use cases will be embedded in the benchmark administrator's licensing arrangements (for more details see CARR's Term CORRA Use Cases) …"

These use cases include trade finance, loans and derivatives associated with loans[14].

As discussed in the CP[15], designation of Term CORRA as an IRB requires a consideration of whether the IRB has "benchmark contributors"[16] since the activities of such contributors can require their adherence to codes of conduct that are supervised by the DBA.

Whether such regulatory requirements are engaged depends on whether the "input data" used in the computation of the IRB is "contributed"[17]. Input data that is publicly available free or at a reasonable cost is not "contributed"[18]. As discussed above, the Term CORRA rate will be calculated from public 1- and 3-month CORRA futures trading on the MX using both transactions and executable bids and offers in the CLOB over a specific calculation period. Accordingly, the data does not appear to be "contributed" and, in our submission, there is no need for a code of conduct as there is no contributor.

After the January 11, 2023 press release describing the Term CORRA methodology was published, MX invited approved participants (**APs**) and certain other persons[19] to participate in a market making program and submit a proposal outlining their abilities and commitment towards the market making of the MX 1-month CORRA futures (the **contracts**). The duration of the market making program will be up to 3 years. Two APs have since been selected as market makers and were required to sign a standard market making agreement with the MX.

The market makers will be required to post markets at the contracted minimum size and maximum spread (or better), for a predefined percentage of time. The market making agreement will also include other requirements related to the daily settlement of markets, the quarterly roll period and/or other quantitative and/or qualitative requirements.

The MX will monitor the market makers' order book activity to determine compliance with obligations set forth in the market making agreement. The MX will be solely responsible for the monitoring of market makers' compliance with the market making program obligations in accordance with the terms of the market making agreement.

In their capacity as market makers, the two APs will be quoting prices for the designated contracts which will be visible to counterparties on the MX and will lead to publicly visible transactions on an organized exchange: MX. We therefore submit that the addition of the market making feature does not alter the analysis or the conclusion that Term CORRA does not involve contributed data.

Other Considerations

A requirement for the Applications is that they address two additional questions: first, should the IRB be a "regulated-data benchmark"[20] and second, whether it should be a "designated critical benchmark".

We submit that both questions should be answered in the negative and each is briefly examined in the following paragraphs.

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12 See https://www.bankofcanada.ca/wp-content/uploads/2021/12/CARR-Review-CDOR-Analysis-Recommendations.pdf

13 Footnote 3 *supra.*

14 For recent mention of use cases, see: https://www.osc.ca/sites/default/files/2023-02/csa_20230223_25-309_cessation-of-cdor.pdf

15 CP under the heading "Subsection 1(3)—Interpretation of contribution of input data".

16 Under s. 1(1) of the OSA, "benchmark contributor" means a person or company that engages or participates in the provision of information for use by a benchmark administrator for the purpose of determining a benchmark, including a person or company subject to a decision under section 24.2.

17 Footnote 8 *supra.*

18 *Id.*

19 The MX request for proposal was intended for APs and foreign APs, as well as their eligible clients. See: https://www.m-x.ca/f_circulaires_en/009-23_en.pdf

20 CP under the headings "Categories of Designation" and "Subsection 1(1)—Definition of designated regulated-data benchmark": "…As discussed below, we expect a benchmark administrator that applies for designation of a benchmark to provide written submissions on whether the administrator considers the benchmark to be… a regulated-data benchmark."

Term CORRA is not a regulated-data benchmark

We understand that since not all the data used for Term CORRA will be "regulated-data", Term CORRA would not be a regulated-data benchmark.

- The Term CORRA methodology published on January 11, 2023 states: "The rate will be calculated from 1- and 3- month CORRA futures trading on the Montréal Exchange using both transactions and executable bids and offers in the central limit order book (CLOB) over a specific calculation period".
- Executable bids and offers are not "transaction data" within the meaning of subsection 1(1) of MI 25-102 and are therefore not regulated data. See existing guidance in Companion Policy 25-102 under the heading "Subsection 1(1) – Definition of designated regulated-data benchmark".

Term CORRA is not a critical benchmark

Where a designated IRB over time becomes more significant to Canadian financial markets, a regulator may apply for it to be designated as a critical benchmark[21]. To qualify as "critical", the CP provides two illustrational factors[22] neither of which applies to Term CORRA:

(a) the benchmark is used directly or indirectly within a combination of benchmarks as a reference for instruments or contracts or for measuring the performance of investment funds, having a total value in Canada of at least $400 billion on the basis of the range of maturities or tenors of the benchmark, where applicable; or

(b) the benchmark satisfies all of the following criteria:

  (i) the benchmark is used directly or indirectly within a combination of benchmarks as a reference for instruments or contracts or for measuring the performance of investment funds having a total value in one or more jurisdictions of Canada that is significant, on the basis of all the range of maturities or tenors of the benchmark, where applicable;

  (ii) the benchmark has no, or very few, appropriate market-led substitutes;

  (iii) in the event that the benchmark is no longer provided, or is provided on the basis of input data that is no longer sufficient to provide a benchmark that accurately represents that part of the market or economy the designated benchmark is intended to record, or on the basis of unreliable input data, there would be significant and adverse impacts on

    (A) market integrity, financial stability, the real economy, or the financing of businesses in one or more jurisdictions of Canada, or

    (B) a significant number of market participants in one or more jurisdictions of Canada.

Since Term CORRA has not yet launched, Term CORRA does not meet either of the above two factors and is not expected to meet either of the above two factors in the near future.

Designation of CBAS as DBA

CBAS

CBAS has been incorporated under the *Business Corporations Act* (Ontario) (**OBCA**). Its board of directors currently consists of Jayson Horner, who is also CEO of CanDeal Group Inc. (**Group**), André Craig, President of Data and Analytics division of CanDeal Innovations Inc, (**DNA**), the parent of CBAS and Robert Kowalik, the CFO for Group.

As shown by the organization charts in the F1, CBAS is an indirect subsidiary of Group. Group's shareholders are investment dealer subsidiaries (**Dealers**) of major Canadian banks (collectively, the **Banks**) and the TSX. The Group shareholders all have the same percentage of shares of Group.

Group and DNA

Taken as a group, Group is the holding company for a number of OBCA corporations. Its major businesses consist of CanDeal Markets Inc. (**Markets**) and DNA.

[21] CP under the heading "Categories of Designation".
[22] CP under the heading "Subsection 1(1)—Definition of designated critical benchmark".

Markets operates an over-the-counter electronic marketplace for the trading of fixed income instruments which is regulated as an alternative trading system marketplace and is a marketplace member of the Canadian Investment Regulatory Organization (**CIRO**).

DNA offers consulting services to assist Group shareholders and third parties including to rationalize various regulatory processes for the Dealers and the Banks and other processes for the commercial distribution of data by the Dealers.

Why CBAS should become the DBA

We submit that CBAS should be designated as the DBA because, as is evidenced by the F1, it has put in place a governance structure that is responsive to the requirements and goals of MI 25-102.

The proposed CEO of the DBA is Jayson Horner. Louise Brinkmann has been recruited by CBAS to act as the Compliance Officer of the DBA. The DBA will also receive support on an outsourced basis from Group's Chief Financial Officer, Chief Compliance Officer and Chief Information Officer.

The role of the DBA, broadly speaking, is to protect the integrity of the IRB, ensure the quality and independence of the IRB and evaluate and possibly improve its efficacy.

To promote IRB integrity, the DBA:

1. identifies potential and actual conflicts of interests including those arising from its ownership and adopts policies and procedures for identifying and eliminating or managing them,

2. maintains an outsourcing policy (the **Outsourcing Policy**),

3. receives and investigates complaints about the IRB,

4. receives and investigates, with assistance from TSX where appropriate, price challenges about the prices determined and published for the IRB,

5. maintains a whistleblower policy,

6. appoints members to an Oversight Committee who are not on the DBA Board and have a broad responsibility to supervise the IRB, make recommendations in relation to it to the Board and make reports in appropriate circumstances to the securities regulators with responsibility for the DBA and IRB,

7. appropriately controls the use of confidential information,

8. verifies that the IRB is calculated according to the methodology used to determine the IRB,

9. obtains an assurance report from a public accountant where required under MI 25-102,

10. establishes systems so that the DBA can contract for required services that are outsourced,

11. establishes controls aimed at responding effectively to business disruptions, cybersecurity incidents and data security breaches, and

12. maintains proper books and records.

Of the listed items, those presented above in italic typeface particularly facilitate evaluating the IRB and evaluating its efficacy. The DBA also considers the following in evaluating the quality of the IRB:

1. feedback received from commercial users of the IRB including the Dealers and the Banks,

2. feedback from expert stakeholders such as the Bank of Canada and CARR,

3. feedback from the TSX as distributor of the IRB, and

4. feedback from MX market makers in relation to the designated contracts that are used as inputs for the IRB.

Discussion of conflicts of interest

The DBA has a Conflicts of Interest Policy (**CoIP**) which accompanies the F1. As stated in the CoIP, CBAS uses the services of multiple parties including investors in its ultimate parent company, Group and parties with which it has commercial relationships (collectively, **related parties**) to generate Term CORRA and distribute data to a fee-paying customer base that also includes such

related parties. The MX, an affiliate of one of the investors in Group, TSX, operates the market which generates data used in calculating Term CORRA.

All material actual or potential conflicts of interest should be identified early and managed appropriately. The DBA's regulatory status, reputation, as well as the trust and confidence of its benchmark users depend on the DBA to appropriately identify and eliminate or manage actual or potential conflicts of interest.

To this end, CBAS has prepared the following table which provides information not only on the nature of conflicts but also how the conflict is addressed by particular policies.

Table analyzing DBA Conflicts of Interest

No.	Relationship giving rise to conflict of interest with DBA	Nature of Indirect relationship(s) with DBA	Nature of direct relationship with DBA	Policy/contract/ action that addresses conflict arising from relationship	How conflict addressed	Relationship publicly disclosed
1.	Bank – a direct shareholder of Group, an indirect shareholder of DBA parent[23] or affiliate.	Indirect minority shareholder through Group..	Pays to use IRB and receives distribution revenue.	Public disclosure. Ongoing evaluation of conflict through DBA and IRB designation processes. Distribution-related collaboration agreement negotiated at arm's length between regulated parties.	All Bank users pay and are compensated on basis of arm's length contract with TSX.	Website through a version of this table.
2.	Dealer – a direct shareholder of Group, an indirect shareholder of DBA parent or affiliate.	Indirect minority shareholder through Group[24] and could make revenue as an MX market maker.	Not applicable.	Not applicable.	Market makers appointed under MX request for proposal that conforms with MX market-making practices.	Website through a version of this table.

[23] In this table, "DBA parent" refers to DNA.
[24] Dealers collectively control Group and indirectly control DBA.

No.	Relationship giving rise to conflict of interest with DBA	Nature of Indirect relationship(s) with DBA	Nature of direct relationship with DBA	Policy/contract/ action that addresses conflict arising from relationship	How conflict addressed	Relationship publicly disclosed
3.	TSX – a direct shareholder of Group, an indirect shareholder of DBA parent or affiliate, and commercial relationship.	Indirect minority shareholder through Group; distributor, through TSX, of IRB; and provider, through TSX, of pre-calculation data handling services needed to determine IRB and of assistance as needed with price challenges.	IRB distributor and payer of licence fees to DBA parent; provides pre-calculation data handling services required for DBA parent to calculate IRB and assistance as needed with price challenges.	MI 25-102 structure, regulatory review of DBA and IRB application; compliance with Outsourcing Policy.	Arm's length commercial negotiation with TSX. DBA Board and Oversight Committee assesses.	Website through a version of this table.
4.	TMX Group Limited - parent of TSX and MX, indirect shareholder of Group and DBA parent or affiliate, and commercial relationship.	Indirect relationship exists through TSX and MX; TSX distributes Term CORRA and has other relationships under collaboration agreement. See row 3.	None.	MI 25-102 structure, regulatory review of DBA and IRB application; compliance with Outsourcing Policy.	Arms length commercial negotiation with TSX. DBA Board and Oversight Committee assesses.	Website through a version of this table.
5.	DBA parent or DBA affiliate other than DNA.[25]	Indirect controlling shareholder.	DBA parent provides calculation services and price challenge assistance.	Outsourcing Policy.	DBA Board and compliance with Outsourcing Policy.	Website through a version of this table.
6.	Officer of parent or affiliate and performs outsourced services for DBA.	Not applicable - relationship is direct not indirect.	Group CFO, CTO, perform management services for DBA.	Outsourcing Policy.	DBA Board assesses in compliance with Outsourcing Policy.	Website through a version of this table.

[25] DNA relationship is addressed in row 7 of this table.

No.	Relationship giving rise to conflict of interest with DBA	Nature of Indirect relationship(s) with DBA	Nature of direct relationship with DBA	Policy/contract/ action that addresses conflict arising from relationship	How conflict addressed	Relationship publicly disclosed
7.	DNA - commercial relationship only with DBA.	Affiliate.	Calculation agent and price challenge assistance agreement.	Outsourcing Policy.	DBA Board and Oversight Committee assesses.	Website through a version of this table.
8.	MX - affiliate of minority shareholder of Group.	Operates the market which generates data used by TSX to perform pre-calculation data handling before being passed on to DBA parent to calculate IRB.	Not applicable.	Not applicable.	Regulated exchange. DBA does not influence MX futures contracts.	Website through a version of this table.

The Indirect Owners of CBAS have multiple commercial relationships with the DBA and Input Data Provider

What the table demonstrates is that there are multiple ownership and commercial relationships between CBAS and its affiliates and ultimate shareholders.

A common response to the presence of a perceived conflict is disclosure[26] and this policy approach is itself reflected in MI 25-102[27]. A version of the table will be published so that there is public disclosure of these relationships. Other matters will also be publicly disclosed on the website including the conflict declarations of Oversight Committee members.

Another way of evaluating whether conflicts are handled properly is to ask whether there are sufficient safeguards in the governance processes of MI 25-102 to offset any perception that the relationship between say CBAS and the TSX would tend to foster laxness on the part of the DBA in protecting the integrity of the IRB.

We submit that the following significant safeguards are available:

1. A legislative framework[28] that mandates compliance by the DBA of IRB oversight.
2. The role of the Oversight Committee in controlling the effects of the conflicts and recommending remedial action.
3. The discipline imposed by the complaints and price challenge procedures.
4. The discipline imposed by recurring requirements to prepare the F1 and F2.
5. The incentive for MX, as a regulated exchange, to act in accordance with applicable law.
6. The incentive for TSX as the operator of a data distribution business to distribute a high-quality product for its customers.
7. The fact that Banks need to rely on the accuracy of the IRB in connection with their business and therefore have an interest in its integrity not just its capacity for generating revenue.
8. The involvement of knowledgeable stakeholders like the Bank of Canada and CARR who have insight into the methodology and use cases for the IRB.

[26] For example, see s. 13.4 of NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations.*
[27] MI 25-102 s. 10(3).
[28] MI 25-102 s. 8.

Looking specifically at the day-to-day processes of CBAS, the following tools are available to address conflicts:

1. Public disclosure of the conflict of interest by CBAS.

2. Requiring declarations of conflicts by members of the CBAS Board and Oversight Committee members which are published.

3. Requiring conflicted parties to adhere to CBAS policies including the CBAS Governance, Control and Accountability Framework.

4. Requiring conflicted parties involved in determining Term CORRA to submit to verification procedures including as to verification of the methodology TSX should be following in relation to the pre-calculation data steps.

5. Notifications by members of the public of conflicts through complaints process.

6. Regulatory supervision of disclosed conflicts and policies through the Control Framework.

7. Third party assurance processes.

8. Adherence to Outsourcing Policy when contracting for calculation services and services of Group employees.

Commercial Distribution of IRB

The distribution of the IRB to commercial users for revenue is to be effected through a collaboration agreement (**CA**) currently being negotiated at arm's length between TSX and CBAS. TSX already has a well-established data distribution business.

Under the CA, revenues are to be collected from four classes of licensees including a class composed of Tier 1 Banks and a class composed of other financial institutions.

Lenders wishing to use Term CORRA in their lending agreements would need to enter into a licensing agreement for Term CORRA. Borrowers would not normally need to enter into a licensing agreement unless they wanted real-time access to Term CORRA data instead of free but delayed access on a website of Group or TMX Group Limited.

Revenues are divided according to an agreed formula until costs of establishing the DBA and distributing the IRB are first recovered by CBAS and TSX and revenues over this amount are distributed under the CA according to a formula until a 25% mark-up on cost has been collected and distributed.

For the following reasons, the conflicts inherent in the CA are not thought to present a significant impediment to the DBA's intended method of operation:

1. Though TSX is a minority shareholder of Group and the Bank parents of the other Group shareholders are IRB licensees, the arm's length negotiation between TSX and CBAS is likely to produce commercially reasonable terms for the offering of IRB feeds that is aimed first at recovering costs of establishing and operating the DBA and generating and distributing the IRB.

2. TSX is itself regulated as an exchange. Furthermore, TMX Group Limited (the parent company of TSX) is a public company. Consequently, the DBA needs to be sensitive to the regulatory objectives at play in the development of a new benchmark.

3. The DBA Outsourcing Policy has been applied in relation to the CA.

It is submitted that these arrangements do not impinge on the integrity or reliability of the IRB and are in fact necessary for the DBA to operate and discharge its regulatory responsibilities. The DBA will need to have revenue sources to fund the costs of operating in the manner described in the F1.

Why Conflicts are unlikely to distort monitoring of IRB Methodology

A matter that Staff has invited us to address is the degree to which the relationships giving rise to potential conflicts of interest will impede the making of necessary changes to IRB methodology.

The DBA has a commercial interest in making the IRB methodology robust and reliable. These qualities go directly to the attractiveness to commercial users of the IRB. The Banks, apart from their commercial interest in distribution revenue, have a separate business need for a reliable term benchmark that will pass muster with regulators and sophisticated commercial counterparties whose cost of borrowing will be affected by the benchmark.

As reflected in the italicized items below, necessary changes in methodology will be influenced by input from a multiplicity of sources which are free of conflicts:

1. *feedback received from commercial users of the IRB including the Dealers and the Banks,*
2. *feedback from expert stakeholders such as the Bank of Canada and CARR,*
3. feedback from the TSX as distributor of the IRB,
4. feedback from MX market makers in relation to the contracts that are used as inputs for the IRB,
5. *public complaints or price challenges,*
6. *independent input from Oversight Committee members,*
7. *regulatory review of F1 and F2 filings,*
8. *feedback from public comments if proposed changes are so significant that a decision is made by regulators to solicit them.* [29]

These sources of feedback should significantly counteract the possible influence of conflicted parties.

Will Conflicts make IRB Manipulation more likely?

Staff has also invited us to address the degree to which the relationships giving rise to potential conflicts of interest impede robust policing for manipulative behaviour affecting the IRB.

As to potential IRB manipulation, the following factors tend to lessen the risk of manipulation:

1. The input data originates from trades and executable bids and offers in MX derivatives contracts.
2. MX is a regulated exchange which has its own anti-manipulation rules.[30]
3. Market makers appointed to provide quotes for MX contract trades are subject to MX and CIRO regulation.
4. Regulated securities businesses in the Group, TSX, Dealer or Bank orbit have strong incentives not to be associated with manipulative activity on the part of their affiliates because of the adverse legal repercussions and negative reputational implications.
5. The DBA has a public complaints policy and price challenge policy by members of the public.
6. The Oversight Committee mandate requires annual review of the methodology and of proposed changes to the methodology.
7. Requirements in MI 25-102 applicable to DBA that specifically address IRB methodology.[31]

Conclusion

CBAS believes the foregoing information and submissions are sufficient to justify the granting of the Designations under the Applications.

We and CBAS are available to assist with any questions or respond to any comments the regulators may have.

Yours very truly,

"Rene Sorell"

Rene Sorell
Counsel

cc: Serge Boisvert, Analyste expert à la réglementation, Direction de l'encadrement des activités de négociation, AMF
Jayson Horner, CEO, CBAS
André Craig, President, DNA

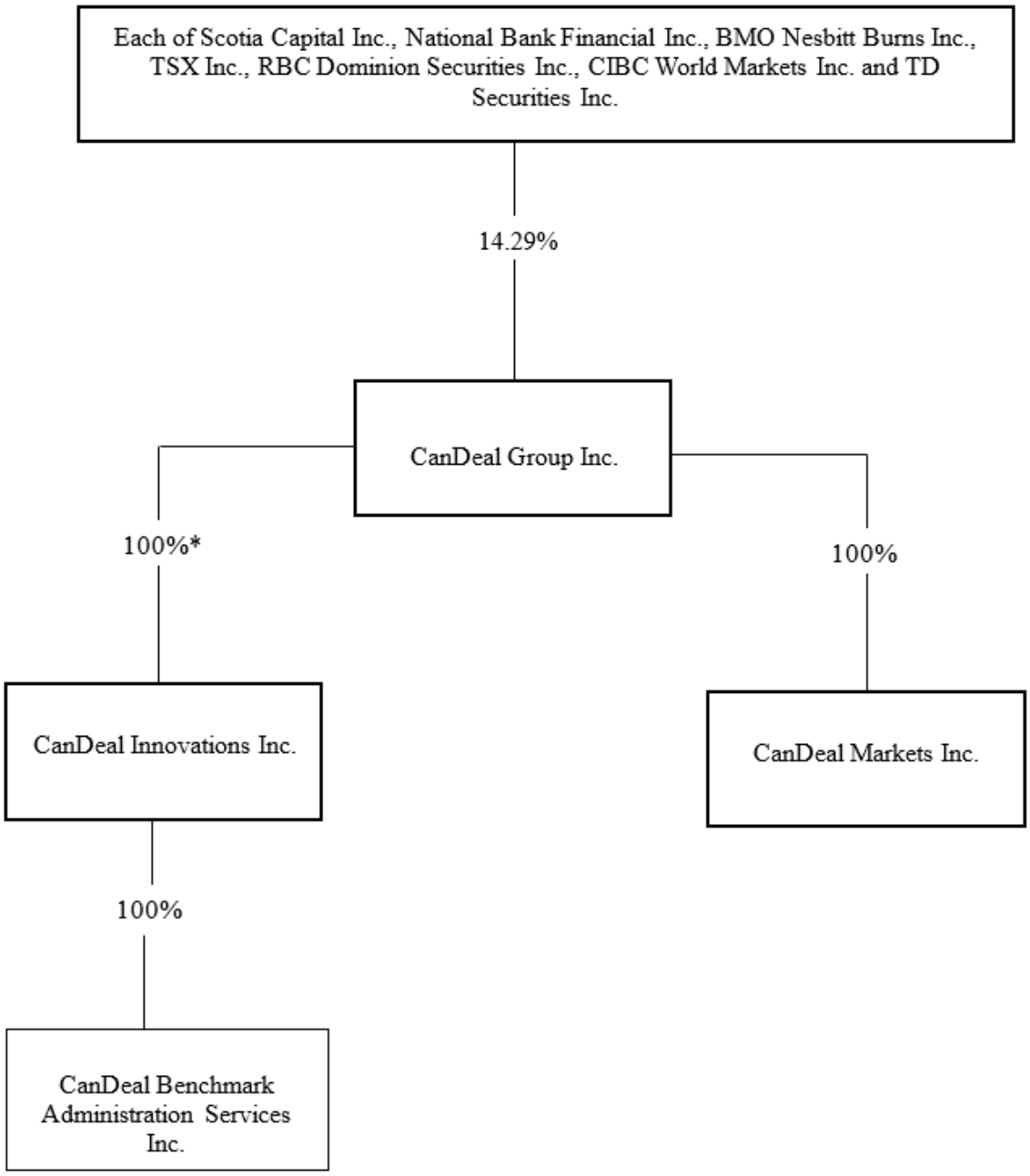
[29] MI 25-102 s. 17.
[30] Rules of the MX Article 7.5.
[31] MI 25-102 s. 16.

APPENDIX B

CBAS STRUCTURE

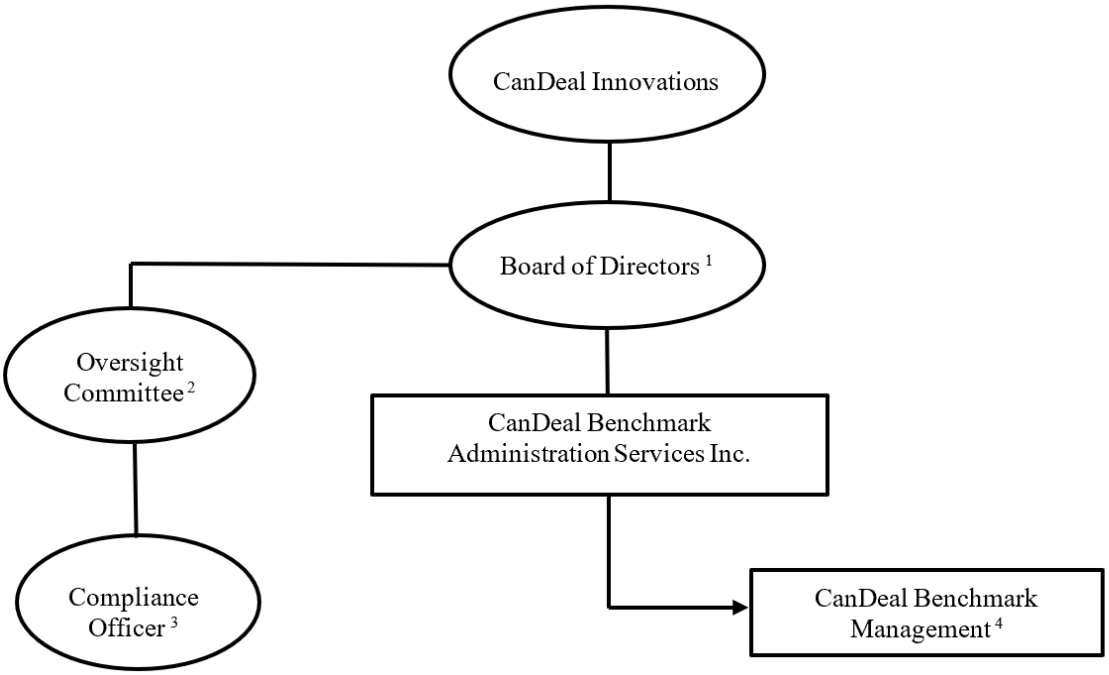
The following charts and accompanying notes present ownership information and information about how the functions of the DBA will be performed by the persons named in MI 25-102 and by certain outsourced personnel.

CanDeal Group Ownership Chart



*CanDeal Markets Inc. holds one non-voting preferred share of CanDeal Innovations Inc.

Organizational Chart for CanDeal Benchmark Administration Services Inc.



Notes re Organizational Chart:

[1] Board of Directors: Section numbers refer to MI 25-102

1. Approves accountability framework: 5(1) and (2)
2. Ensures compliance with securities legislation and methodology pertinent to benchmark: 5(1)(a)
3. Appoints Oversight Committee: 7(6) and sets policies as to its structure and mandate: 7(5)
4. Appoints officers including compliance officer: 6(1)
5. Approves control framework: 8
6. Reviews, approves and publishes methodology: 18(1)(c)
7. Oversees management and operation of benchmark
8. engages audit firm to do assurance reports re designated benchmark administered: 32 or 36

[2] Oversight Committee: Section numbers refer to MI 25-102

1. Cannot include board members: 7(3)
2. Recommends to board how benchmark should be overseen: 7(4)
3. Reviews
   a. benchmark methodology: 7(8)(a)
   b. changes to methodology: 7(8)(b)
   c. management and operation of the benchmark: 7(8)(c)
4. Supervises outsourcing arrangements: 7(8)(e)
5. Reviews assurance reports from auditors on the DBA and, where needed, on contributors under 32 or 33: 7(8)(f)

6. Supervise codes of conduct, if applicable

7. Monitors remedial steps: 7(8)(g)

8. Reports up to directors if contributor conduct codes breached: 7(8)(i)

9. Reports to regulator misconduct of DBA: 7(9)

10. Discloses own conflicts 7(12)

[3] Compliance Officer: Section numbers refer to MI 25-102

a. monitors compliance of DBA with securities legislation: 6(1)(a)

b. reports annually to board: 6(1)(b)

c. reports non-compliance to board: 6(3)(c)

Compliance Officer must abstain from:

a. participating in generating benchmark: 6(4)

b. determining compensation of DBA individuals: 6(4)

[4] The DBA will rely on the services of its own personnel (Compliance Officer) and additional management services provided under a management services agreement with CanDeal Group Inc. and one or more of Group's subsidiaries. The services of a head of technology, chief compliance officer, operations manager and head of finance will be provided under the management services agreement. A CanDeal subsidiary, CanDeal Innovations Inc., will perform calculation services and assist with the resolution of price challenges.

APPENDIX C

DRAFT OSC DESIGNATION ORDER

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5,
AS AMENDED
(THE "OSA")

AND

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20,
AS AMENDED
(THE "CFA")

AND

IN THE MATTER OF
TERM CORRA

AND

IN THE MATTER OF
CANDEAL BENCHMARK ADMINISTRATION SERVICES INC.
("CBAS")

DESIGNATION ORDER

Background

The Ontario Securities Commission (the "**Commission**") has received an application (the "**Application**") from CBAS under the OSA and the CFA for a decision under the OSA and the CFA that:

(a) Term CORRA be designated as a designated benchmark,

(b) Term CORRA be assigned as a designated interest rate benchmark for the purposes of Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* ("**MI 25-102**") and Ontario Securities Commission Rule 25-501 (Commodity Futures Act) *Designated Benchmarks and Benchmark Administrators* ("**OSC Rule 25-501**"), and

(c) CBAS be designated as a designated benchmark administrator of Term CORRA.

Interpretation

Terms defined in the OSA, the CFA, National Instrument 14-101 *Definitions,* MI 25-102 or OSC Rule 25-501 have the same meanings in this decision, unless otherwise defined herein.

Representations

This decision is based on the following facts represented by CBAS:

1. The Canadian Dollar Offered Rate ("**CDOR"**), a designated interest rate benchmark, will cease to be published on June 28, 2024.

2. It is expected that market participants will use the Canadian Overnight Repo Rate Average ("**CORRA"**) as the alternative reference rate for most instruments that currently reference CDOR. CORRA is an existing interest rate benchmark administered by the Bank of Canada.

3. Term CORRA is a new interest rate benchmark that is intended to replace CDOR for certain instruments or, when appropriate, for related derivatives. Term CORRA will be a forward-looking measurement of CORRA for 1- and 3-month tenors, based on market-implied expectations from CORRA derivatives markets. CBAS is the benchmark administrator of Term CORRA.

4. Term CORRA's use will be limited through its licensing agreements to trade finance, loans and derivatives associated with loans.

5. It is anticipated that Term CORRA will be important for the successful transition of the Canadian loan and trade finance market from CDOR.

6. CBAS and Commission staff believe that Term CORRA should be designated as a designated benchmark (and assigned as a designated interest rate benchmark for the purposes of MI 25-102 and OSC Rule 25-501) and CBAS should be designated as a designated benchmark administrator of Term CORRA. After Term CORRA and CBAS are so designated, CBAS (as benchmark administrator of Term CORRA) will be required to comply with the applicable provisions of MI 25-102 and OSC Rule 25-501 in respect of Term CORRA.

Decision

The Commission is satisfied that it is in the public interest to make this decision.

The decision of the Commission, pursuant to section 24.1 of the OSA and section 21.5 of the CFA, is that:

1. Term CORRA is designated as a designated benchmark,

2. Term CORRA is assigned as a designated interest rate benchmark for the purposes of MI 25-102 and OSC Rule 25-501, and

3. CBAS is designated as a designated benchmark administrator of Term CORRA.

Dated this ● day of ●, 2023.

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