Ontario Securities Commission | Commission des valeurs mobilières de l'Ontario | 22nd Floor 20 Queen Street West Toronto ON M5H 3S8 | 22e étage 20, rue Queen ouest Toronto ON M5H 3S8

NOTICE

TO: REFINITIV BENCHMARK SERVICES (UK) LIMITED

Background

The following documentation has been received from Refinitiv Benchmark Services (UK) Limited (**RBSL**) as the designated benchmark administrator of the Canadian Dollar Offered Rate (**CDOR**), a designated benchmark, under the *Securities Act* (Ontario) (the **OSA**) and the *Commodity Futures Act* (Ontario) (the **CFA**):

(a) a notice from RBSL under paragraph 27(1)(a) of Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* (**MI 25-102**) and paragraph 27(1)(a) of Ontario Securities Commission Rule 25-501 (Commodity Futures Act) *Designated Benchmarks and Benchmark Administrators* (**OSC Rule 25-501**) that RBSL has decided to cease publication of the remaining tenors of CDOR after a final publication on Friday, June 28, 2024 (the **CDOR Cessation Date**),

(b) a plan from RBSL under paragraph 27(1)(b) of MI 25-102 and paragraph 27(1)(b) of OSC Rule 25-501 on how the remaining tenors of CDOR can cease to be provided on the CDOR Cessation Date, and

(c) a request from RBSL that the decision maker issue a notice to RBSL under paragraph 27(2)(b) of MI 25-102 and paragraph 27(2)(b) of OSC Rule 25-501 authorizing the cessation by RBSL of the provision of the remaining tenors of CDOR on the CDOR Cessation Date.

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 notice, unless otherwise defined herein.

Relevant information

1. On September 15, 2021, the Ontario Securities Commission issued a designation order, pursuant to section 24.1 of the OSA and section 21.5 of the CFA:

    (a) designating CDOR as a designated benchmark,

(b) assigning CDOR as a designated critical benchmark and a designated interest rate benchmark for the purposes of MI 25-102 and OSC Rule 25-501, and

(c) designating RBSL as a designated benchmark administrator of CDOR.

2. CDOR is a key domestically important interest rate benchmark that is currently published in tenors of 1, 2 and 3 months. CDOR is used for a variety of purposes, including to:

(a) calculate the floating-rate component of certain over-the-counter and exchange-traded derivatives,

(b) determine interest payments on certain floating-rate notes and other securities, and

(c) determine the base interest rate on certain loan agreements between corporate borrowers and banks.

3. Significant reliance is placed by market participants on CDOR, which is used in various financial instruments. According to the CARR White Paper (defined below), CDOR is referenced in more than $20 trillion of gross notional exposure across the Canadian wholesale financial system, including derivatives, bonds and loans.

4. CDOR is determined daily from a survey of bid-side rates provided by Canadian financial institutions that routinely accept Bankers' Acceptances (**BAs**) issued by borrowers and are market-makers in BAs either directly or through an affiliate.

5. On December 16, 2021, the Canadian Alternative Reference Rate Working Group (**CARR**) published a white paper on the future of CDOR (the **CARR White Paper**). Among other things, the CARR White Paper recommended that CDOR be discontinued over a two-stage transition period as follows:

(a) the first stage would run until the end of June 2023, and the second and final stage would run until the end of June 2024,

(b) by the end of the first stage, all new derivative contracts and securities would be expected to transition to using an alternative rate like the Canadian Overnight Repo Rate Average (**CORRA)**, with no new CDOR exposure after that date except with limited exceptions, and

(c) those exceptions would include derivatives that hedge or reduce CDOR exposures of derivatives or securities transacted before the end of June 2023 or in loan agreements transacted before the end of June 2024.

6. The findings and recommendation in the CARR White Paper reflect global efforts to move from interbank offered rates like CDOR to risk-free rates like CORRA. The Bank of Canada is the administrator of CORRA. CARR is co-chaired by senior representatives from industry and the Bank of Canada.

7. The two-stage transition period contemplated by the CARR White Paper will provide market participants with time to transition from CDOR to an alternative rate like CORRA and time to consider various transition issues. In this regard, CARR adopted revised terms of reference effective February 17, 2022 which provide that CARR's primary objectives will be to:

   (a) support the adoption of, and transition to, CORRA as a key financial benchmark for Canadian derivatives, floating rate securities and loans,

   (b) prepare a comprehensive transition plan for all products referencing CDOR,

   (c) determine the need for a forward-looking "term CORRA" benchmark as well as the ability to create one that complies with the IOSCO Principles for Financial Benchmarks (the intended use of any term CORRA benchmark would be limited to CDOR based loan products and their associated derivatives), and

   (d) execute the transition plan if RBSL makes the determination that CDOR's publication should cease.

   OSC staff understand that CARR and the Canadian Fixed Income Forum will also be considering issues relating to the cessation of CDOR on the underlying market for BAs. In order to further these objectives, CARR's membership will be expanded to include more representation from Canada's corporate and commercial sectors and smaller financial institutions.

8. On January 31, 2022, RBSL published a consultation paper seeking feedback regarding the CARR White Paper findings and recommendation that RBSL ceases publication of the remaining tenors of CDOR at the end of June 2024 (the **RBSL Consultation Paper**). The comment period under the RBSL Consultation Paper was open until March 2, 2022.

9. RBSL intends to publish on or about May 16, 2022,

   (a) an outcome statement on the results of the consultation under the RBSL Consultation Paper (the **RBSL Outcome Statement**),

   (b) a notice announcing that RBSL will cease publication of the remaining tenors of CDOR on the CDOR Cessation Date (the **RBSL Cessation Notice)**, and

   (c) a news release on these documents.

   RBSL has advised OSC staff of the content of the RBSL Outcome Statement and the RBSL Cessation Notice.

10. A fallback is a replacement rate that would apply to securities, derivatives, or loan agreements that use CDOR as a reference rate. The publication of the RBSL Cessation

Notice will constitute an “index cessation event” under the ISDA 2020 IBOR Fallbacks Supplement, the ISDA 2020 IBOR Fallbacks Protocol and CARR’s recommended fallback language for floating rate notes. In particular, the RBSL Cessation Notice will trigger the credit spread adjustment calculation under ISDA’s derivative CDOR fallbacks, as well as CARR’s recommended CDOR floating rate note fallbacks. The actual fallbacks would only apply once CDOR is no longer published.

11. When preparing contractual provisions for new instruments that will extend, or might extend, past the CDOR Cessation Date, publication of the RBSL Cessation Notice will allow market participants to consider the use of a replacement rate if they were planning to use CDOR as a reference rate.

12. For persons or companies that have issued or hold existing securities, or that are parties to existing derivatives or loan agreements, which use CDOR as a reference rate and that extend, or might extend, past the CDOR Cessation Date, publication of the RBSL Cessation Notice will allow market participants to take appropriate action. For example, these persons or companies will be able to make plans for appropriate transition arrangements well in advance of the CDOR Cessation Date. These transition arrangements could involve:

    (a) reviewing the fallback language or other contractual provisions for securities, derivatives and loan agreements that would apply when CDOR ceases to be published,

    (b) the adoption of a replacement rate in the absence of appropriate fallback language providing for a replacement rate,

    (c) changes to information technology systems, and

    (d) in the case of issuers of securities, the disclosure of any replacement rate or other key transition arrangements to investors.

Authorization

Pursuant to paragraph 27(2)(b) of MI 25-102 and paragraph 27(2)(b) of OSC Rule 25-501, the cessation by RBSL of the provision of the remaining tenors of CDOR on the CDOR Cessation Date is authorized.

Dated this 16th day of May, 2022.

“Grant Vingoe”

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Chief Executive Officer
Ontario Securities Commission