



April 22, 2019

RBC Global Asset Management Inc.

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Via email

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
Email: comment@osc.gov.on.ca
Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, rue du Square Victoria, 4e étage
C.P. 246, Place Victoria
Montréal (Québec) H4Z 1G3
Email: consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

Re: Proposed National Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* and Companion Policy (collectively, the "Proposed Instrument")

RBC Global Asset Management Inc. ("RBC GAM", or "we") is a wholly-owned subsidiary of Royal Bank of Canada and provides a broad range of investment management services and solutions to investors across Canada, including through a variety of mutual funds. As at January 31, 2019, RBC Global Asset Management had over \$316.5 billion in assets under management.

We are generally supportive of the provisions contained in the Proposed Instrument. Demand for benchmark-linked investment products has grown tremendously in recent years. Today, hundreds of trillions of dollars have been invested in products tied to interest rate and foreign exchange rate indexes. In late 2018, it was estimated that more than \$200 trillion had been invested in US dollar LIBOR-linked investment products alone, with 95% of that being in various types of derivatives (Remarks of Hon. Christopher Giancarlo, before Financial Stability Conference, Federal Reserve Bank of Cleveland, Office of Financial Research, Washington, D.C., November 29, 2018).

We think that regulators should be prepared to address data integrity especially when benchmark inputs come from the parties who may have a financial interest linked to how the benchmarks perform. Conflicts of interest in benchmark creation and administration can be substantial. Outsourcing benchmark administration to a regulated third-party with appropriate disclosures in our view reduces some of those risks. Transparent inputs and methodologies should result in less risk than those that are not and ensure that benchmark inputs and calculation methodologies are readily auditable.

RBC GAM favours the use of benchmarks that are free from conflicts of interest and are based on inputs where prices are captured from liquid, transparent and efficient markets.

We also think it is important to ensure that contributions to a benchmark do not diminish its quality, especially considering that a benchmark based on insufficient sample sizes or that no longer appropriately represents its underlying market may set the value in a vast array of financial instruments.

We encourage regulators in Canada to continue to engage with market participants and their European counterparts to develop a comprehensive regulatory regime that is focused on benchmark governance, quality, methodology and accountability. Where appropriate, regulators should consider adopting clear minimum standards for transparency around, and governance of, the administration of benchmarks. We agree with the CSA's intention to implement a comprehensive regime for the designation and regulation of benchmarks and include specific requirements for designated critical benchmarks, and the designation and regulation of persons or companies that administer such benchmarks. Defining CDOR and CORRA as designated benchmarks (each expected to be designated as a critical benchmark and an interest rate benchmark) is a step in the right direction. We hope that the regime is flexible enough to accommodate future designated benchmarks. To the extent that there is information that can be publicly disclosed to the market about benchmarks that may be subject to designation, it would assist users preparing their documents and processes well in advance of any such designation and help prevent commercial impediments to the selection of alternative benchmarks. We also suggest that the definition of "Benchmark Contributor" be included in the Proposed Instrument as it is currently not provided.

In addition, consideration should be given to having an annual independent audit of compliance of benchmark administrators with the administrator's benchmark methodology (similar to GIPS verification which applies to investment managers). Finally, the Proposed Instrument introduces requirements for the benchmark contributor to notify the administrator if it decides to cease contributing. The questions also ask if benchmark contributors should be required to provide data for a period of time. We are concerned that these requirements may deter firms from being or becoming benchmark contributors.

We thank you for the opportunity to provide these comments. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in blue ink, appearing to read "D.E. Chornous".

Daniel E. Chornous, CFA
Chief Investment Officer

cc. Larry Neilsen, Chief Compliance Officer, RBC Global Asset Management Inc.
Nicole C. Lee, Assistant General Counsel, RBC Global Asset Management Inc.
Milos Vukovic, V.P., Investment Policy, RBC Global Asset Management Inc.