

# Refinitiv Benchmark Services Ltd (RBSL)

## CSA Rule - Overview on CDOR

Presentation to the Canadian Alternative Reference Rate Working Group (“CARR”)

26 July 2021



**LSEG**

# Refinitiv Benchmark Services (UK) Limited

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- Refinitiv Benchmark Services (UK) Limited ('RBSL') is a Benchmark Administrator established in 2014.
- RBSL began administering the Canadian Dollar Offered Rate ("CDOR") in 2015 under the IOSCO Principles for Financial Benchmarks.
- RBSL is authorized and regulated in the UK by the Financial Conduct Authority ("FCA"), FCA Reference Number 610678.
- The WM/Refinitiv Closing Spot Rate (4pm London) was one of the 8 specified benchmarks within the remit of MAR 8.3 of the FCA Handbook and has been administered by RBSL since 2016.
- As of July 11<sup>th</sup> 2018, RBSL became an *Authorised Benchmark Administrator* by the FCA under Regulation (EU) 2016/1011 (EU BMR).
- RBSL is listed on the FCA Register as an authorized Benchmark Administrator pursuant to Article 34 of the UK BMR and is now, post Brexit, subject to the UK BMR.
- In respect of CDOR, it is expected that the Ontario Securities Commission ("OSC") and Autorité des Marchés Financiers ("AMF") shall designate CDOR as a 'designated benchmark' and RBSL as its 'designated benchmark administrator' pursuant to Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* ("MI 25-102" or "CSA Rule"), which establishes a Canadian regulatory regime for financial benchmarks.

# Benchmarks Administered by RBSL

- Current benchmarks administered by RBSL in UK, under the UK Benchmark Regulation:

<b>Benchmark family</b>	<b>Benchmark category</b>
<b>WM/R Spot, Forward and NDF rates</b>	Readily available data benchmark
<b>Canadian Dollar Offered Rate (CDOR)**</b>	Interest rate benchmark (Annex I)
<b>Saudi Arabian Interbank Offered Rate (SAIBOR)</b>	Interest rate benchmark (Annex I)
<b>CRB/CoreCommodity indices</b>	Regulated data benchmark
<b>Convertible Bond indices</b>	Readily available data benchmark
<b>Refinitiv Term SONIA (RTS)</b>	Readily available data benchmark

\*\*CDOR shall be designated as a 'Critical' benchmark and 'Interest Rate' benchmark in Canada under the new CSA Benchmarks Rule.

[Estimated Sept 2021]

# Interest Rate Benchmarks (1 of 2)

Administered by RBSL and Refinitiv

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- Refinitiv Term SONIA
  - Risk-free GBP term rate for 1M, 3M, 6M and 12M tenors
  - Launched as a regulated benchmark under BMR in January 2021 as a replacement for GBP LIBOR in some use cases
  - Waterfall methodology:
    - Level 1: Executable OIS quotes from inter-dealer central limit order books
    - Level 2: Executable OIS quotes from dealer-to-client platform
    - Integrated Fallback: spread adjusted compound SONIA
  
- SAIBOR
  - Interbank offered rate in the Kingdom of Saudi Arabia
  - Contribution-based with a panel of 11 banks
  - Contributions are “...the rate at which contributing banks would be able to borrow unsecured interbank funds in Saudi Riyals, were they to accept offers in reasonable market size from other banks in the SAIBOR panel at 11:00am Riyadh time.”

# Interest Rate Benchmarks (2 of 2)

Administered by RBSL and Refinitiv

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## ■ USD IBOR CASH FALLBACKS

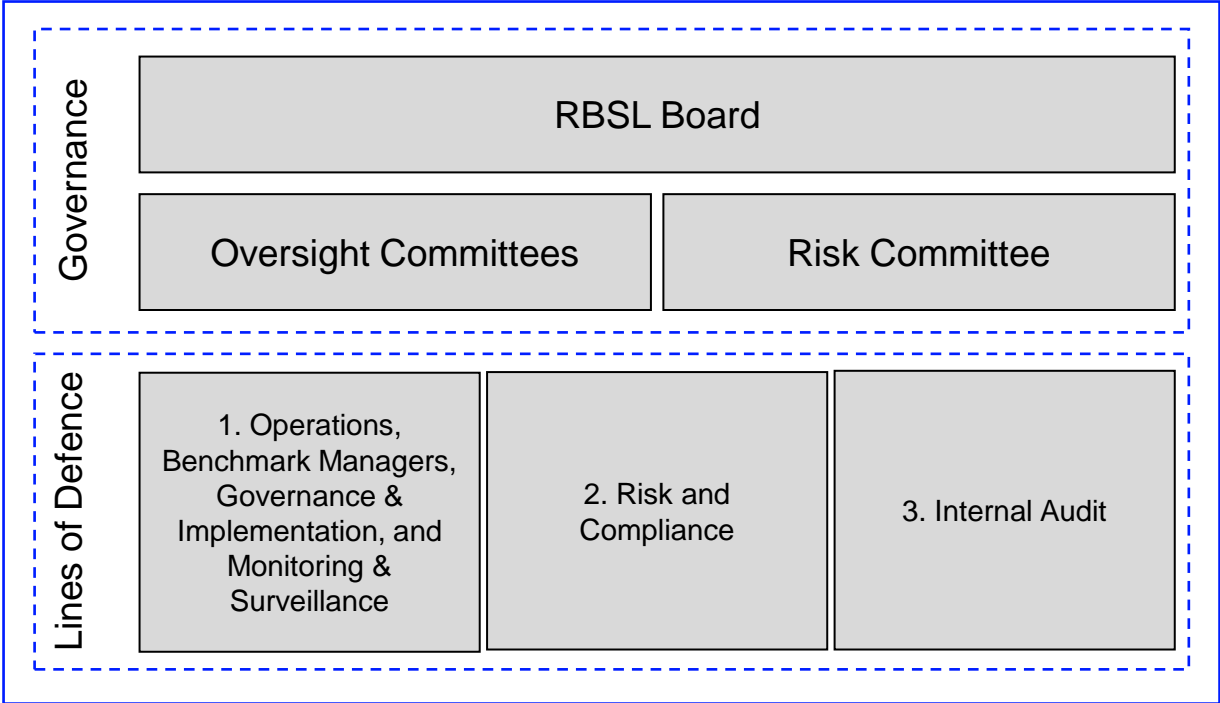
- ARRC selected Refinitiv in March 2021 to provide its recommended spread adjustments and spread adjusted rates for cash products
- Prototype to be introduced in August 2021, production benchmark to be introduced in Q4 2021
- Intended use cases include adjustable rate mortgages, bilateral business loans, floating rate notes, securitizations, syndicated loans and variable rate private student loans that currently reference US dollar LIBOR
- Comprises:
  - In-Arrears fallbacks for institutional cash financial products
  - In-Advance fallbacks for institutional cash financial products
  - In-Advance fallbacks for consumer cash financial products

## ■ Tokyo Swap Rate

- Benchmark for JPY LIBOR and TIBOR interest rate swaps with tenors from 1 year to 40 years
- JPY LIBOR cessation necessitates the creation of a TONA Tokyo Swap Rate and the introduction of a Tokyo Swap Rate fallback for legacy products
- Requirement by users for Tokyo Swap Rate to become a regulated benchmark
- Intention to move away from a panel of contributing banks and use data from IDBs and a dealer-to-client platform

# RBSL Governance Framework

RBSL designed and implemented a governance framework in order to **demonstrate** on an ongoing basis how it meets the BMR requirements:



- RBSL operates a robust **BMR governance & control framework** across the core BMR components which are embedded through policies, procedures, and processes.
- Each benchmark family is subject to a common governance and oversight framework that is based on the **‘three lines of defence’** model and involves escalation routes up to and including the RBSL Board.
- External audits are also required for interest rate benchmarks and critical benchmarks.

# RBSL Control Framework

A comprehensive control framework to demonstrate independent scrutiny; governance, regulatory compliance and effective operations:

## RBSL – Regulated Administrator

- Benchmark Regulation Compliance
- FCA – National Competent Authority/Regulator

## Benchmark Oversight Committees

- Independent scrutiny
- Anchored in regulation expectations/obligations

## User Groups

- Informal forum & discussion with market participants
- Current and future requirements

## Monitoring and Surveillance

- Investigation of alerts
- Escalation and reporting to oversight committees
- Regulatory reporting/engagement
- Market data analysis and reporting

## Audit

- Periodic internal audits
- Mandatory external audits for interest rate and critical benchmarks

## Benchmark Management

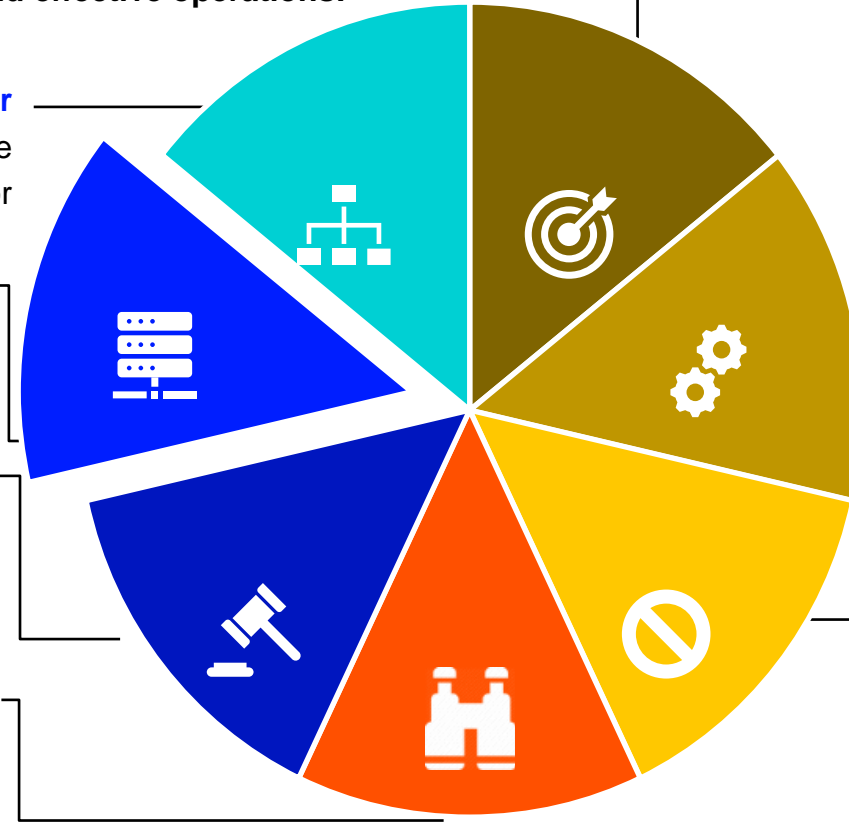
- Strategy, methodology & design
- Commercial strategy
- Regulatory compliance
- Market and user engagement, consultations,
- Customer/User engagement, support, training and education
- New business generation and innovation

## Business Operations

- Monitoring of compliance with licensing policies
- Customer support, partner engagement
- Management and oversight of new launches, changes, cessations

## Risk Management

- Implementation and monitoring of risk management framework, process and policies
- Performance of risk assessments
- Management of risk register & Risk Committee
- Risk training and awareness



# CDOR Oversight Committee Member Composition

Persons directly involved in the provision of the benchmarks, those responsible for managing the business and a representative from the RBSL Board are invited as non-voting members such as the Benchmark Manager, Content Operations, Monitoring & Surveillance, RBSL CEO and also with Compliance & Risk representation.

Member Name	Company	Role	Committee Position	Other Relevant Memberships, Directorships, or Interests (if applicable)
Walter Posiewko	RBC Global Asset Management Inc	Vice President and Senior Portfolio Manager, Global Fixed Income and Currencies	Member - Chair	n/a
Jacques Caussignac	TMX Group	Managing Director, Products and Services, CDCC	Member	n/a
Peter Kostka	Citi Canada	Managing Director, Country Treasurer	Member	n/a
Jack Rando	Investment Industry Association of Canada (IIAC)	Managing Director	Member	The IIAC is a member based professional association representing Canadian investment dealers. Among IIAC Members are CDOR contributors.
Alan White	Rotman School of Management, University of Toronto	Professor of Finance	Member	Board of Directors of the University of Toronto Asset Management

**Oversight Committee Meeting Frequency:-** Quarterly

CDOR Advisory Group meetings held every 6 months.

Terms of Reference:

[https://www.refinitiv.com/content/dam/marketing/en\\_us/documents/policies/cdor-terms-of-reference.pdf](https://www.refinitiv.com/content/dam/marketing/en_us/documents/policies/cdor-terms-of-reference.pdf)

Website (including meeting Minutes):

<https://www.refinitiv.com/en/financial-data/financial-benchmarks/interest-rate-benchmarks/canadian-interest-rates>



# CSA Rule - Timing

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## CSA Benchmarks Rule

### TIMELINES:

- **29 April 2021** – Final CSA Benchmarks Rule to be published by CSA.
- **13 July 2021** – Rule comes into effect (i.e. 75 days after publication).
- **~September 2021** – CSA to designate CDOR & RBSL under the Rule.\*

*\* Dates may change depending on CSA expectations.*

## CSA Rule – Expected Summary of Changes (1 of 3)

Theme	Impacted Body	Requirement
Regulation	RBSL & Contributor	Regulated and supervised by the OSC & AMF.
Designated Compliance Officer	RBSL & Contributor	Must designate an officer responsible for monitoring and assessing compliance of CDOR & periodic reporting.
Record Keeping	RBSL & Contributor	Record retention increased to 7 years (from 5 previously).
Assurance	RBSL	Requirement for external audit 6 months after designation, plus annually thereafter.
Assurance	Contributor	<ul style="list-style-type: none"> <li>- Requirement for external audit 6 months after designation, plus every two years thereafter, unless mandated ad-hoc by CDOR OC.</li> <li>- Limited assurance engagement, unless reasonable assurance mandated by CDOR OC.</li> </ul>
Termination from CDOR Panel	Contributor	Notice period extended to the earlier of <ul style="list-style-type: none"> <li>i) 180 days; or</li> <li>ii) date at which the Contributor and RBSL mutually agree to cease using the Contributor's input data.</li> </ul>
Oversight	Oversight Committee	<ul style="list-style-type: none"> <li>-Power to mandate an ad-hoc external audit of any Contributor.</li> <li>-Specify either a limited or reasonable assurance report on compliance regarding the conduct of the contributors and RBSL.</li> </ul>

## CSA Rule – Expected Summary of Changes (2 of 3)

Theme	Impacted Body	Requirement
Methodology	RBSL	Assessment at least once every 24 months of the capability of CDOR to accurately represent that part of the market or economy the critical benchmark is intended to represent.
Policies & Procedures	RBSL	Ability of RBSL to request any CDOR related records from the Contributor including Submission Procedures & Daily Template – particularly useful for Monitoring & Surveillance reviews.
Policies & Procedures	Contributors	<ul style="list-style-type: none"> <li>- To develop disciplinary policy against misconduct.</li> <li>- Must implement controls to identify a reverse transaction subsequent to the contribution of input data.</li> <li>- To enhance Submission procedures for daily auditability of submissions.</li> </ul>
Training	Contributors	Annual training or ad-hoc following material change to Methodology or CCoC.
Conflicts of Interest	Contributors	<ul style="list-style-type: none"> <li>- Physical separation of submitters from derivatives traders referencing CDOR</li> <li>- Restrict potential for any person, internal or external to the organization, to exercise influence over the Submitter's Submission which may impair reasonable judgement</li> <li>- Description of the potential financial exposure of the Contributor, Supervisor, and Submitter to financial instruments referencing CDOR</li> </ul>
Sensitivity analysis	Contributors	Sensitivity analysis for interest rate swap trading books and any other derivative trading books with an exposure to CDOR in respect of Input Data.
Submission Records	Contributors	The Submission Records and/or Template must demonstrate the implementation of Submission Procedures including a daily record of quantitative and qualitative factors comprising all market data and expert judgment considered to arrive at the daily submission.

# CSA Rule – Expected Summary of Changes (3 of 3)

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## COMPLIANCE TIMING & REPORTING REQUIREMENTS for RBSL:

- **As at date of designation (ie. ~September 2021)**
  - Compliance with CSA Benchmark Rule
  - Issuance of revised CDOR Contributor Code of Conduct
- **15 days after designation**
  - Publish a benchmark statement
- **30 days after designation**
  - Form 25-102F1 Designated Benchmark Administrator Annual Form
  - Form 25-102F2 Designated Benchmark Annual Form
  - Form 25-102F3 Submission to Jurisdiction and Appointment of Agent for Service of Process
- **Annually**
  - Form 25-102F1 - no later than 90 days after the end of each completed financial year [see *appendix*]
  - Form 25-102F2 - no later than 90 days after the end of each completed financial year [see *appendix*]
  - Assurance report on designated benchmark administrator
  - Compliance Officer Report to RBSL Board on compliance with regulation
- **Every 24 months**
  - Assessment at least once every 24 months of the capability of the critical benchmark to accurately represent that part of the market or economy the critical benchmark is intended to record.

# Disclaimer

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This document is intended as a general guide for the Canadian Alternate Reference Rate Working Group (“CARR”) to broadly understand the general regulatory framework of Refinitiv Benchmark Services (UK) Limited (“RBSL”) and the Canadian Dollar Offered Rate (“CDOR”). The content is solely for informational purposes and is not to be construed as advice or counsel.

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In respect of CDOR, RBSL is required to comply Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* (“MI 25-102” or “CSA Rule”), a rule adopted by the Ontario Securities Commission (“OSC”), the Autorité des Marchés Financiers (“AMF”), and members of the Canadian Securities Administrators (“CSA”).

For purposes of the CSA Rule, the OSC and AMF are co-lead regulators of RBSL and CDOR in Canada. For a comprehensive and accurate view of the CSA Rule, please engage the OSC and AMF or seek appropriate legal advice.